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THE UNTOLD STORY OF TOM PETTERS

An exclusive interview from Leavenworth Penitentiary

By Dale Kurschner

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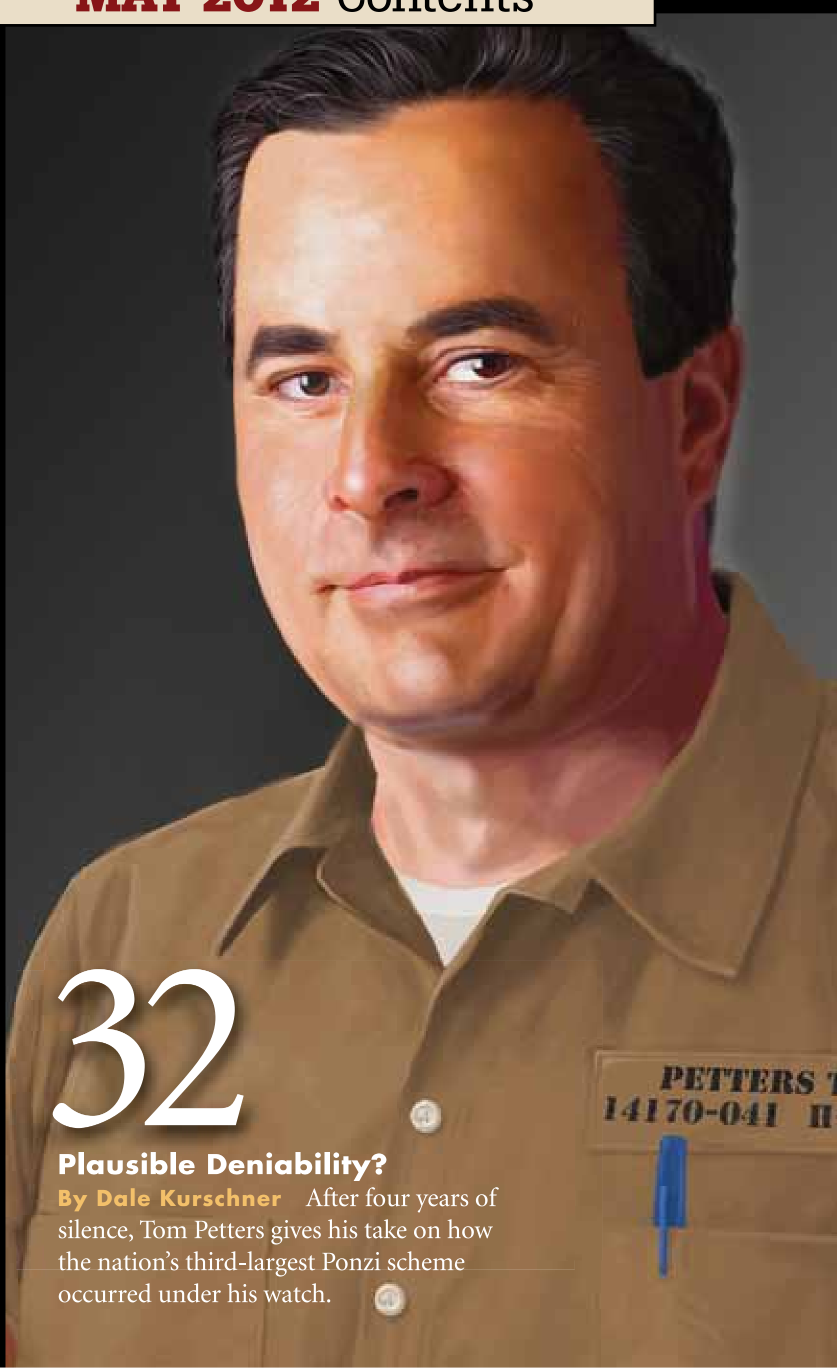

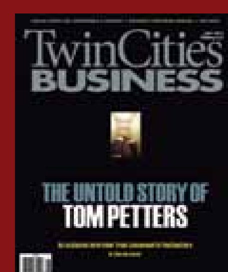

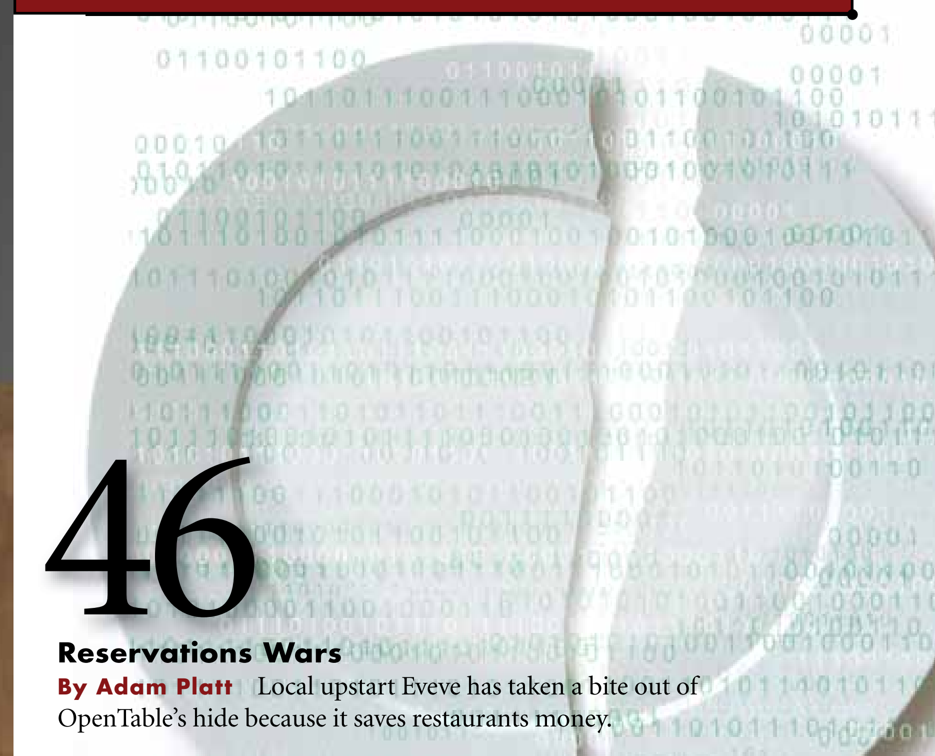

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Twin Cities Business is a publication of MSP Communications
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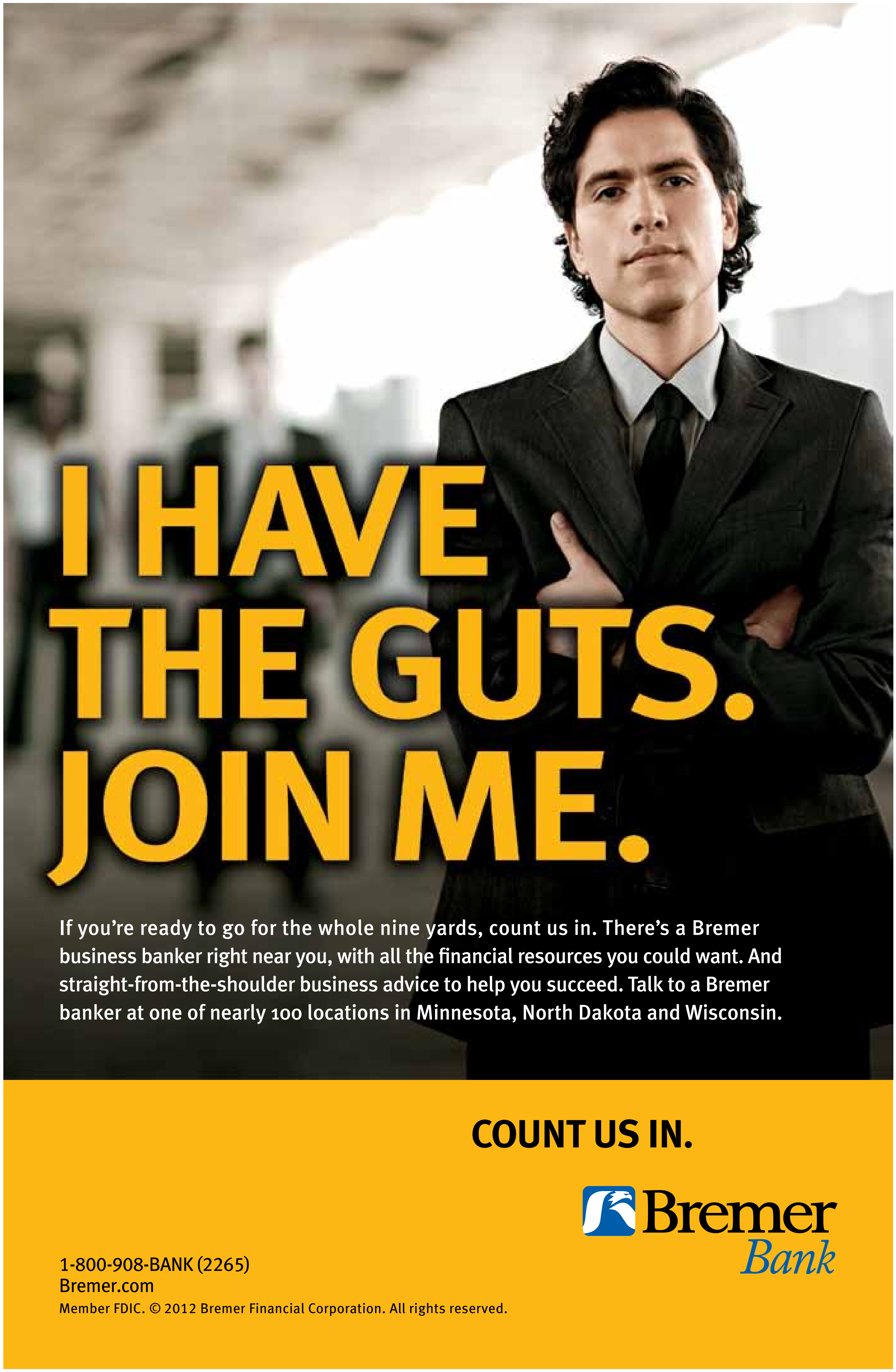

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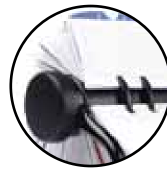

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editor's note

DALE KURSCHNER | DKURSCHNER@TCBMAG.COM

The Road to Prison

Ever let your mind wander to relax, it starts bouncing around a bit, and before you know it, you land on an idea you wouldn't have thought of otherwise?

I do from time to time. And such a process (or lack thereof) is the reason for this month's cover story. It started while walking to my car after work and passing the Hennepin County Government Center. Keep in mind, these were rambling thoughts . . .

At first I wondered what it must be like to be sent to prison. And the John Grisham voice inside of me brought up the time my business and I—along with three other companies not even connected with us—were wrongfully accused by the U.S. Securities and Exchange Commission.

We quickly proved that we had done nothing wrong. But if you haven't experienced something like this, here's how it can go: You get a certified letter, a page and a half or two, telling you why you are guilty until you can prove your innocence. Whether or not it's all speculation, it's from the government and you scramble to respond immediately. After you've done so, you don't receive another letter saying, "Our apologies," or "You're right, you're fine." Silence from the SEC is to be taken as "all clear" . . .

My mind then did a 180, and I recalled the times when I had caught a few executives and companies flat-out lying to legislators, investors, and the public—and how hard it was to first unearth such activity, let alone prove it enough to publish it. I really give credit to those individuals out there today busting business-related liars and cheaters, and I wish there were more of them . . .

From a distance, the U.S. Penitentiary in Leavenworth, Kansas, resembles a classical state capitol building.

My thoughts then veered to the Tom Petters saga, as I understood it. Everything I had read about him from the day after his companies were raided seemed one-sided at best—as though the public had decided that he was guilty as soon as it saw news video of his headquarters being raided and read news reports in the following days. And I couldn't find anything that described the situation from Petters himself . . .

And then the thought popped up: What about capturing Tom Petters' side of his own story? After six months and many letters back and forth, Petters finally agreed to meet for an interview—the first he has granted since before his arrest in October 2008.

I recently journeyed to the federal penitentiary at Leavenworth, Kansas, to talk with him, hoping I might also take a photo or shoot some video. But cameras aren't allowed. So I took the above photo from across the street, and took notes as best as I could on what it was like to get into prison and talk with him.

After parking my car in a crumbling asphalt parking lot, I follow the signs guiding me up a slight hill to a 19th-century brick house. Visitors enter through a narrow set of white French doors that I'm guessing were originally installed to let you move between the garden and a sunroom with a fireplace and original hardwood floors. Today, instead of a garden, there's a concrete apron with an accompanying trash can out front, and a sign on the door saying that no cameras, cell phones, audio recorders, or individuals with fevers of 100 degrees or more are allowed beyond this point.

ON THE WEB

The *Kansas City Star* offers this historical slideshow of the United States Penitentiary in Leavenworth: **http://bit.ly/HXsuzS**

Assistant Warden Thomas Sheldrake greets me. I sign in, my ID is checked, the guard takes my photo for an on-site visitor's card, I go through a metal detector, and I'm on my way. It's about a 75-yard walk to the main entrance of the prison. Walking up the steps feels like approaching any other domed Federal-style government building. One of the first-generation U.S. penitentiaries built in the early 1900s, Leavenworth looks like a former state capitol converted into a prison. Around it are two 20- to 30-foot-tall fences with more than 10 rolls of razor wire coiled along the bottom and top. Security keeps a constant eye on what's going on around the perimeter through video cameras, from tinted windows in the watchtowers, and with patrols on foot, in golf carts, and in trucks.

At the top of the steps, Sheldrake opens a fairly ordinary door, and we enter a small waiting area; the radiator on the left rattles as we wait for a bulletproof glass door to slide open, and a metal-barred door on the inside to be unlatched by whoever's watching us on camera. Inside, we're greeted by a security guard sitting at a small desk on the right, and a dimly lit, security-glass-encased control room on the left, where my ID card is scanned before I can proceed through another metal detector. The area smells like a museum or a musty old mansion, and I can see down the hallway in the middle of the building, into the prison itself.

From there, Sheldrake escorts me through a set of flat-blue, three-quarter-inch-thick steel-bar doors that even he has to wait for someone else to open. As the first closes, there's an awkward pause until the next opens. Each time one does, it's with that incredibly loud, jail-door latch sound you hear in the movies. Petters later tells me that that's the sound he wakes up to at 6 A.M. every day—the loud unlocking of his cell door, and those of the other approximately 1,800 inmates at Leavenworth.

The 58-person-occupancy visitors' room looks like a kindergarten classroom without a chalkboard, educational tools, or kids' stuff. There are small, camel-brown plastic chairs and tables maybe two feet long and 12 inches deep. Neutral-colored, 12-inch-square vinyl floor tile, off-white paneled walls, and white rectangular ceiling tiles illuminated by fluorescent-tube lighting make the room feel even more institutional.

In walks Tom Petters wearing an olive-green/khaki collared short-sleeve shirt with matching pants, and a pair of black and gray Nike tennis shoes. He looks tan, well-groomed, physically fit, and, overall, healthy. He's calm, positive, exhibits a good sense of humor, and is passionate about his former business activities and goals. We start in on a long list of questions that I brought. And for the next five hours, I forget that we're talking inside a medium-security prison.

As we wrap up the meeting and shake hands, I'm quickly reminded of exactly where we are, as I hear in the distant background: "Yeah. This is Sheldrake. I'm tossing Petters back into the trap now." The "trap" is a small waiting area between security doors, each of which can be opened only by a person on the other side of it.

Petters walks toward the door, looks back with a wave and a polite smile, and then heads back to Cellblock C-1. And I'm left alone, with my thoughts. **TCB**


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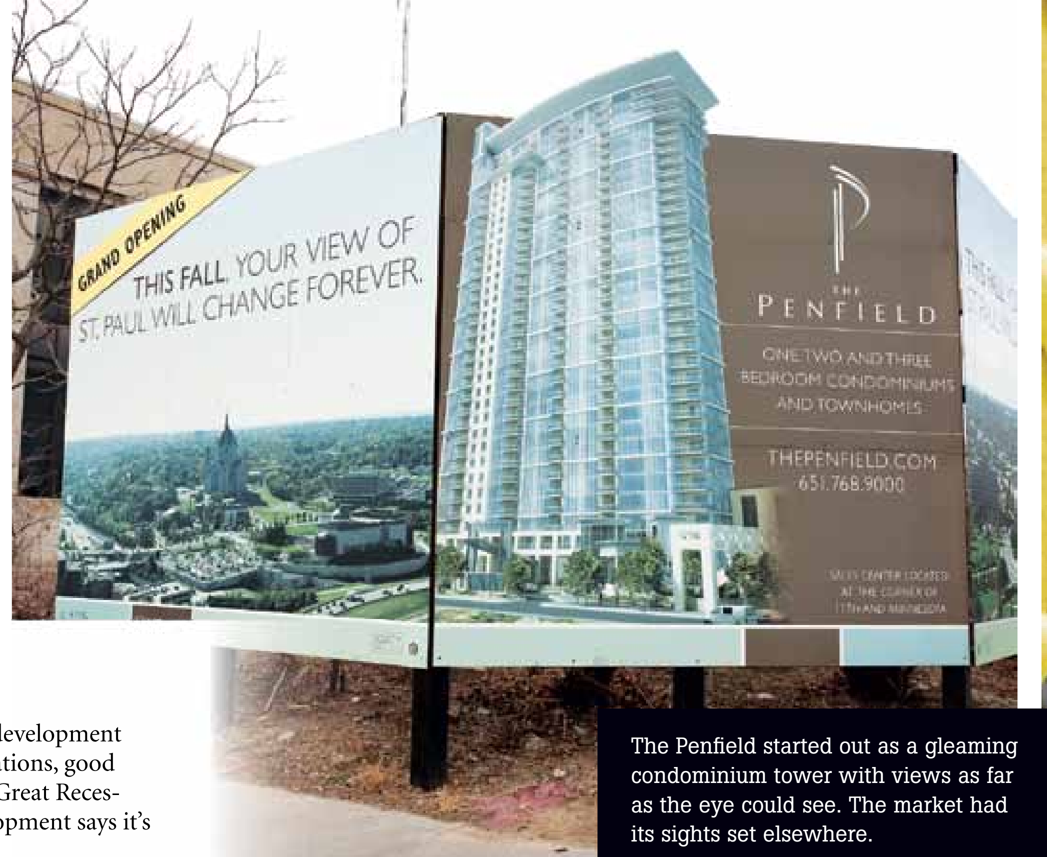


The Penfield started out as a gleaming condominium tower with views as far as the eye could see. The market had its sights set elsewhere.

The Mystery Sites

Lots of development was stalled by the recession, but these are the poster children.

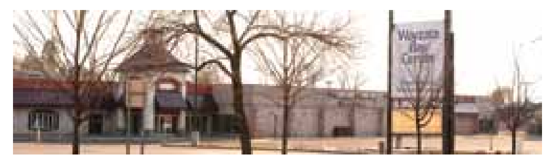
In the gilded middle years of the last decade, three real estate development projects looked like sure things. They shared high-profile locations, good mixes of retail and residential, and strong civic support. The Great Recession knocked them down again, and again, and again. Each development says it's finally turned the corner. —*Gene Rebeck*

The Penfield

The City of St. Paul offered millions in public financing to help get this 300-unit, 40-story project off the ground. Condos would have ranged from $200,000 to more than $1 million. The project got knocked down to 33 stories, then 11. This year, with private developers out of the picture, the city took over.
Location: Downtown St. Paul; bounded by 10th, 11th, Minnesota, and Robert Streets.
First Proposed: 2005
Original Project: 40-story condo tower, townhomes
Original Developers: Alatus LLC (Minneapolis), Sherman Rutzick and Associates (St. Paul)
Current Project: Six stories, 281,000 square feet, 254 luxury apartments; Lunds on first floor
Current Developers: St. Paul Housing & Redevelopment Authority
Projected Groundbreaking: June
Expected Completion: December 2013
Price Tag: $62 million

The Jaguar Site

The Jag dealership moved to Golden Valley nearly five years ago. Since then, this prominent Minneapolis corner, a gateway to the vigorous North Loop, has become an eyesore.
Location: Downtown Minneapolis, Hennepin at Washington Avenue.
Original Project: Two Twenty Two, comprising 300 luxury condos and a Whole Foods Market
First Proposed: 2005
Original Developers: Milliken Development Group (Vancouver, B.C.)
Current Project: 222 Hennepin: seven stories, 580,000 square feet, 286 luxury apartments, Whole Foods, liquor store (operated by Whole Foods)
Current Developers: Ryan Companies US (Minneapolis), Excelsior Group (St. Louis Park)
Broke Ground: February
Expected Completion: Summer 2013
Price Tag: $70 million



Wayzata Bay Center

The dated downtown Wayzata shopping mall began emptying out when plans for redevelopment arose—the last tenant, Original Pancake House, left in August. Washington, D.C.-based property developer/manager Madison Marquette first proposed a renovation in 2003, then bowed out; locally based United Properties followed and also departed in the face of community resistance.
Location: Downtown Wayzata, 14-acre site at Lake and Superior
First Proposed: 2003
Current Project: The Promenade: 254 senior housing units and 32,000 square feet of retail
Current Developer: Senior Housing Partners (division of Presbyterian Homes and Services, Roseville)
Projected Groundbreaking: May
Expected Completion: Fall 2014
Price Tag: $123 million (first phase)

Spirit's Cheap. The Fees, Not So Much.

Is the "ultra" low-cost carrier worth business travelers' attention?

Spirit Airlines starts MSP Terminal 2 operations May 31 with three daily flights to Chicago's O'Hare International and one flight to Las Vegas.

The Florida-based carrier's philosophy is to make base fares as cheap as possible and then charge passengers for every extra, and some not-so-extras, such as reservations. Spirit charges a "passenger usage fee" of $16.99 each way. The only way to avoid the fee is to book and buy at the airport.

Want to put a carry-on bag in the overhead bin or check a bag? That will cost $20-$40 a bag. Want an assigned seat? That could cost up to $50. Spirit also charges a $4 round-trip fee that reimburses the airline for "unintended" consequences of a new rule requiring the airline to show government taxes built in to its fares. Spirit has also started breaking fuel costs out of its fare calculations, which further clouds its pricing process.

Spirit spokeswoman Misty Pinson says the two-decade-old airline has been profitable every quarter since 2007, the year it switched to the fee-driven model. The airline believes consumers like decision-making power, though critics argue that the a la carte pricing serves to mislead consumers, who aren't hit with the actual price until it is time to pay.

Former Sun Country Airlines Vice President of Marketing Wendy Williams Blackshaw says what travelers do not realize is that once all the fees are added up, they are ultimately paying about the same price, if not more, as they would on Southwest, Sun Country, or even Delta.

Nonetheless, the Metropolitan Airports Commission lobbied Spirit to enter the market for several years. Executive Director Jeff Hamiel believes Spirit will help keep fares down at MSP. He says business travelers who need to book tickets with two or three days' notice will find Spirit ends up cheaper than the legacy carriers to ORD.

Should the business traveler care about Spirit's arrival? The airline may offer good value for a Chicago day traveler who doesn't have bags to check or a use for the overhead bin. (Spirit allows one free bag under the seat in front of each passenger.)

"But it's not going to be the guy from 3M who travels every week and gets his SkyMiles on Delta," Blackshaw adds. "It's going to be the small business that's really concerned about cost." —*Nataleeya Boss*

THE SKINNY

MSP-ORD (round trip, booked online two months in advance)

	Southwest Airlines	Delta Air Lines	Spirit Airlines
Base fare (including taxes and airport fees)	$183.60	$183.60	$109.10
Booking fees	None	None	$37.98
Fee for one carry-on bag	None	None	$60
Fee for one checked bag	None (allows up to two free checked bags)	$50	$56
TOTAL FARE	$183.60	$233.60	$263.08

ORD-BOS (roundtrip, booked online two days out)

	Southwest Airlines	Delta Air Lines	Spirit Airlines
Base fare (including taxes and airport fees)	$349.60	$539.70	$172.61
Booking fees	None	None	$37.98
Fee for one carry-on bag	None	None	$60
Fee for one checked bag	None (allows up to two free checked bags)	$50	$56
TOTAL FARE	$349.60	$589.70	$326.59

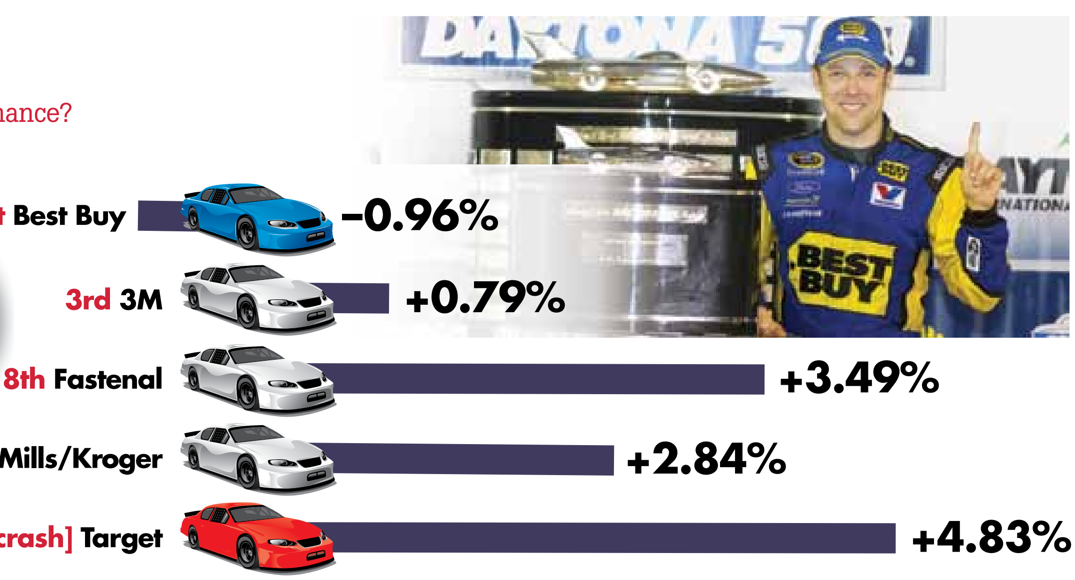
The Last Shall Be First?

Is NASCAR success a harbinger of corporate stock performance?

Minnesota is not recognized as one of the capitals of stock car racing, but that doesn't stop five locally based companies from coveted sponsorship tie-ins with Nascar's über-American audience.

The Daytona 500, Nascar's prestige race, took place in late February, delayed by rain and fiery crashes (including the Target car). We followed the shares of the sponsoring companies to see if they tracked Daytona's results in the month after the race. The data indicates that winning Nascar races can be harmful to your stock, but crashes clearly do not portend a stock collapse!

—*Adam Platt*



War of the Ivories

Is downtown big enough for two dueling-piano bars?

For nearly eight years, the only spot in downtown Minneapolis to watch dueling piano players pound out a Billy Joel ballad was The Shout House. But there's a new bar in town with smoking ivories.

In December, Howl at the Moon—which operates 13 piano bars nationwide—planted roots at 430 N. First Ave., a stone's throw from The Shout House in Block E. Its Chicago-based parent, Howl USA, is the "fastest-growing dueling-piano bar operator in the country," but it has also shuttered several underperforming venues, including one in Scottsdale, Arizona, that was open a mere six months.

Howl at the Moon
Cover charge: Varies, depending on day of week and time
Capacity: 340
Size: 6,000 square feet
Resident piano players: Five
Shows: Four nights a week (closed Sunday-Tuesday)

The Shout House and Howl follow a similar formula: Two piano players field requests ranging from Journey to Taylor Swift. Guests sing along, shows are punctuated with dance competitions, and the lion's share of revenues come from alcohol sales. Both clubs also host corporate events.

Molly Lermon, Howl's sales and events manager, says weekend attendance at the Minneapolis location has doubled during its first few months. The owners of nearby Brothers Bar and Grill own a stake in the club, but being a chain has tangible benefits. "People say, 'I've been to the one in Houston, I've been to the one in Chicago,' " Lermon explains. "They like that they know our name, and that they know what to expect when they get here."

Joe Woods, majority owner of the Minneapolis Shout House, proudly describes his club as "a Minnesota small business." There are additional locations in California and Arizona, but each is independently owned and operated.

Revenue at Woods' club has climbed 8 to 12 percent annually since its 2004 inception. It has seen local piano bars come and go, like Little Ditty's at the Mall of America and a handful of Axel's Bonfire locations that tried but later dropped the model. (Block E being Block E, it's worth noting the Shout House's lease runs through 2014 with two five-year extension options.)

"We've been successful during the worst of times, so whatever happens [with Block E], I'm confident that we can continue to grow," says Woods. "I don't have plans to go anywhere."

But can the Warehouse District support two dueling-piano bars? If the weekend lines outside each are any indicator, the answer seems to be "yes."

—*Jake Anderson*

The Shout House
Cover charge: Max of $8, depending on day of week and time
Capacity: 642
Size: 8,800 square feet
Resident piano players: Ten
Shows: Six nights a week (closed Monday)

M Is For Mental

The Met Council and Dakota County squabble over paint.

Reliable rapid transit is essential to the region's growth and employers' ability to attract workers, skilled and otherwise. Which explains why Dakota County commissioners got into a dustup with Met Council planners over whether Cedar Avenue Bus Rapid Transit (BRT) Red Line buses would be painted in a signature

METRO

pastiche of reds or look like other transit vehicles.

"There's a growing tension between the Met Council and the counties" on transit issues, says *MinnPost* transportation specialist and former Met Council staffer Steve Dornfeld. "Saying [Dakota County Commissioners] wanted the Cedar buses to have more 'pizzazz' was really about wanting a look that says 'These are our buses.' "

Also at issue: whether the letter M or T would identify the region's transitways.

In the end, Dakota County got a splash of red, and the current "T" designation on bus stops will expand to identify rail/BRT lines, in conjunction with the word "Metro." *—A.P.*

68X

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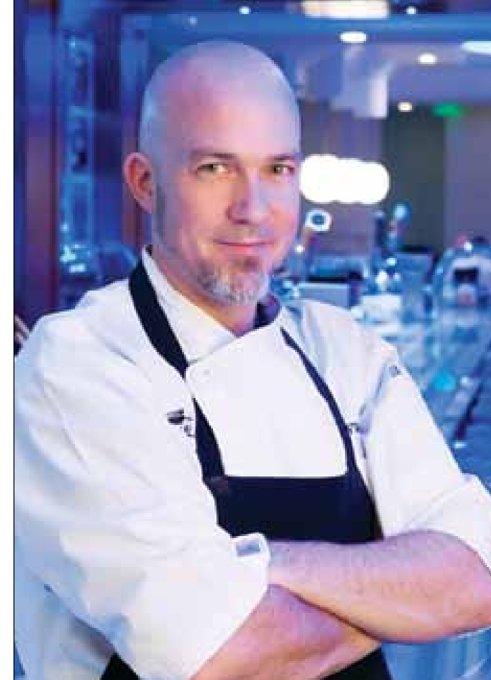
Remaking Morton's

The celebrated steakhouse is being reinvented from the Twin Cities.



Wade Wiestling, once the preeminent seafood chef in the Twin Cities, now concerns himself with beef.

If there is a brand that epitomized the golden era of the late 20th century, it's Morton's The Steakhouse. From the tuxedoed wait staff to the cigar bar to the trolley presentation of various raw cuts of beef and live lobsters to the signature soufflés, Morton's was the '80s . . . and '90s . . . and '00s. But then the economy collapsed, and while some steakhouses thrived (Manny's, for example), Morton's struggled.

Its clubby, often windowless digs once buzzed with bankers and lawyers, and in the case of the Minneapolis outpost, daily Pohlad sightings. But smoking laws shut the cigar bar, Carl Pohlad passed away, and businesses stopped spending. And the see-and-be-seen crowd chose the glam of Manny's over Morton's basement. The company closed in Minneapolis in 2009, and just this winter was sold to Houston-based Landry's Inc., a restaurant holding company that controls disparate brands from Bubba Gump Seafood to Oceanaire.

Oceanaire's founding chef, Wade Wiestling, remains with Landry's as vice president of culinary development (based in the Twin Cities), and is the lead culinarian on the team reinventing Morton's. "Morton's was the last bastion of civility, power fine dining. That's

A Connected Man

The Downtown Council chose Mark Stenglein because he can raise money and manage coalitions among fractious politicians.

Mark Stenglein

Last year, the Minneapolis Downtown Council (MDC) asked several dozen local leaders for input about its next CEO. When Mark Stenglein outlined the attributes that such an individual should bring, the MDC's search firm asked him to consider throwing his hat in the ring.

The 15-year Hennepin County Commissioner succeeds Sam Grabarski, who is retiring. MDC board members say Stenglein offers a different skill set. He has "a personality that can work with both sides of the [political] aisle and is an excellent listener," says David Sternberg, MDC board member and senior vice president at Brookfield Properties.

MDC Board Chair Elliot Jaffee describes Stenglein as a "visceral advocate for downtown Minneapolis," a collaborator, and someone with tremendous political acumen. Stenglein knows the intricacies of local government entities that have served as allies of the council, particularly when it comes to securing legislative funding.

Stenglein's ability to fund raise, which he's had to do to support his own five runs for commissioner, also stood out as a key strength, says Jaffee, who is Twin Cities market president for U. S. Bank.

where it *was*," he explains. "But we're trying to boost growth at our 67 stores. We're tweaking the ambience, music, uniforms, to attract a younger customer. Service has been sped up; people were sitting a half-hour before they placed an order."

That means out with the tuxedos, no more meat trolley, and the LeRoy Neiman watercolors may not be long for the world. Wiestling has added entrées under $30 and the chain is looking for "high-visibility" locations to grow into. "[CEO] Tilman Fertitta wants Morton's to be the premier steakhouse in the U.S.A.," Wiestling notes.

As for the Twin Cities, restaurant insiders are speculating that the well-worn McCormick & Schmick's (another Landry's brand) on Nicollet Mall could be converted into a Morton's. Wiestling's comment: "Anything's possible." —*A.P.*

MDC is backing Minneapolis' request for $25 million in bonding from the Minnesota Legislature to revitalize Nicollet Mall; the sum would require a private match. The project is part of the council's Intersections 2025 plan, which calls for doubling downtown's residential population to 70,000, establishing a sports district, greening, and ending street homelessness. Bringing the plan to life will be Stenglein's primary focus—and Jaffee says it's no coincidence that a new plan and leader were announced in rapid succession.

"I'm a real nuts-and-bolts guy," says Stenglein, 56, a longtime Northeast Minneapolis resident who owned his own business before becoming a county commissioner. "I like rolling my sleeves up and getting into the middle of things."

—*Christa Meland*

SELLING IT John Rash

Fashion & Pink Power

Peterson Milla Hooks decides to let Barbie be Barbie.

The agency has moved on from Target to several big national accounts, including Gap and JC Penney.

The Strategy

Peterson Milla Hooks (PMH), the Minneapolis-based advertising agency, knows about icons. It helped hone one with its nationally noted work for Target. So the shop was up to the task when asked to create a commercial for Barbie, the doll that's a cultural Rorschach test. "We've got to let Barbie be Barbie," says Tom Nowak, president at PMH. "And people can choose to buy into that, but it wasn't about changing perceptions of Barbie—Barbie is fashion and pink power. We just decided let's embrace it and not overthink it."

The Creative

The result is a 30-second spot, digitally enhanced by another Minneapolis-based firm, Pixel Farm, featuring the tagline, "See what happens when you play with Barbie." It focuses on the imagination unleashed by playing with Barbie (as well as the fashion accessories for the doll—and the girl—that are sold separately).

"Mattel was interested in our visual style as an agency largely because of our Target work," explained Nowak. "We're not a design shop, but we have a very design-centric approach to advertising." Target's not the only company that's taken notice. After it shook up its agency roster, PMH did work for performance apparel brand Athleta, owned by Gap. Eventually it did work for Gap itself, as well as K-Mart. And now PMH will be the lead creative for national retailer JC Penney.

The business burst has replaced the Target billings, says Nowak, who notes that PMH is "adding people like crazy." As the agency does not place media billings, Nowak could not offer the standard ad agency metric of billings to estimate his shop's size. Nor would he reveal Mattel's planned expenditure for the Barbie campaign.

The Buy

The spot is clearly aimed at girls. But unlike most toys, the controversial doll has a secondary target: their moms. "We were speaking to girls and wanted moms to feel good about that message as well," says Nowak. "We know Mom's overhearing that conversation."

The Butcher Block

308 E. Hennepin Ave.,
Minneapolis, 612-455-1080

The Butcher Block

An Italian gem hides away amid the buzz of Northeast Hennepin.

"Long story short, I was a master butcher in Italy, and when I move here, I don't want to be a butcher because all the meat comes in a box. So I started cooking." That's how Filippo Caffari, chef and proprietor of The Butcher Block in Northeast Minneapolis, introduces himself.

Straightforward and Roman to the core, Caffari first cooked at Italian restaurants around the Twin Cities before opening The Butcher Block in a keyhole of a space across from Surdyk's three years ago. And while it's still going strong, filling date-night two-tops alongside girls-night-out tables, chances are you haven't heard much about it lately. Among a class of showier, more innovative restaurants that opened in the past three years, The Butcher Block has gotten lost in the shuffle.

Caffari's cooking philosophy doesn't exactly scream for attention. "We try to don't discover nothing," he says. "We try to execute good Italian food." His version of "good Italian food" means rustic classics and the immutable sequence of antipasti, primi, secondi. It also means he puts his old skills as a butcher to work, curing all the guanciale and pancetta, from heritage Duroc pork, and mixing all the sausage in-house.

"The bread, the meatballs, the gnocchi, the ravioli—everything handmade."

While the menu changes seasonally, Caffari says there are three dishes he can never bring himself to take out of rotation: grilled octopus, short ribs cacciatore, and bucatini all'amatriciana. Caffari has fresh octopus flown in from Spain and grills the palm-sized squiggles until they are purply-black and infused with smoke, tender and meaty.

He says he goes through 250 pounds of Nebraska black Angus short ribs every week, putting what looks like a half-pound of fork-tender meat on each diner's plate, along with a couple of roast potatoes and a rich brown gravy.

To the bucatini all'amatriciana Caffari adds his own Roman touch, substituting the porkier guanciale for traditional flecks of pancetta. The fat tubes of pasta take on a welcome, warming heat from the chile-infused tomato sauce.

The 50-bottle wine list, unsurprisingly, is almost entirely Italian and covers the whole boot of Italy, calf to toe. By-the-glass offerings are minimal, though. And, in an otherwise excellent evening, you might encounter lapses: bread that had been sliced hours before or a drab appetizer of breaded ciliegine (mozzarella).

But none of that will make you sorry that Caffari traded his bloody apron for a chef's jacket. While The Butcher Block feels like an inside secret, it deserves a wider audience. As Caffari himself says, "There's nothing secret, just simple Italian food with good ingredients."

Filippo Caffari's textbook bucatini all' amatriciana at The Butcher Block.

CRAIG BARES

TOP TICKETS Megan Wiley

Van Halen

Elder-Rocks the X

Van Halen fans are either Sammy Hagar fans or David Lee Roth fans (sorry, Gary Cherone). This month the Roth camp wins out when VH reappears. In February, the group

released its first album in 14 years, *A Different Kind of Truth,* marking Eddie Van Halen's son Wolfgang's ascension to bass. The new record is also the first in 28 years to feature Roth on vocals. Curiously, Kool & the Gang opens. May 19, 7:30 p.m., $49.50-$149.50, Xcel Energy Center, St. Paul, 800-745-3000, **xcelenergycenter.com**

Bon Iver Sax Man

Colin Stetson at the Walker

Colin Stetson has gained popularity playing in indie outfit Bon Iver, but the decidedly unjazzy saxophonist is also in Arcade Fire's touring band and has recorded with Tom Waits, David Byrne,

KEITH KLENOWSKI

and TV on the Radio. This sideman has simultaneously been building a solo career, releasing his second album last year. His solo show is part of Walker's Sound Horizon series, allowing visitors to take in a free music show in the Perlman Gallery. May 10, 6, 7, & 8 p.m, free, Walker Art Center, Mpls., 612-375-7600, **walkerart.org**

ARTS PICKS Camille LeFevre

Doubt

Local theater luminaries Linda Kelsey, Anna Sundberg, and Regina Marie Williams star in John Patrick Shanley's *Doubt*, under the direction of Craig Johnson. Two pillars of a community's

Catholic church, the redoubtable Sister Aloysius and the magnetic Father Flynn, face off over assumptions and allegations in a battle in which lies and truth, integrity and reputation, are at stake. Through May 13, $25, Park Square Theater, St. Paul, 651-291-7005, **parksquaretheatre.org**

Accordo: Brahms/ Haydn Variations

Accordo, the crème de la crème of two venerable music organizations (SPCO and Minnesota Orchestra), team with

guest artists for this intimate performance of Brahms' gorgeously dramatic Clarinet Quintet in B minor, Opus 115. Also on the program—to be performed in the Longfellow Neighborhood's exquisite Saarinen-designed church—are Haydn's String Quartet in F minor, Opus 20, No. 5, and the rarely performed Concerto a Tre by Ingolf Dahl. May 14, 7:30 p.m., $12-$20, Christ Church Lutheran, Mpls., 651-292-3268, **schubert.org/accordo**

Ernst & Young
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Join us for the year's biggest celebration of entrepreneurship.

The Ernst & Young Entrepreneur Of The Year® 2012 Upper Midwest Awards ceremony is fast approaching. The panel of independent judges includes these distinguished business leaders. With their help, the 2012 finalists and winners will again show that great minds and great ideas, combined with vision and passion, truly make a difference.

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Mark your calendar now for the Upper Midwest 2012 awards gala.
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For ticket information, contact Christine Evans at christine.evans@ey.com.
Upper Midwest finalists will be named on April 25, 2012, at ey.com/us/eoy/um.

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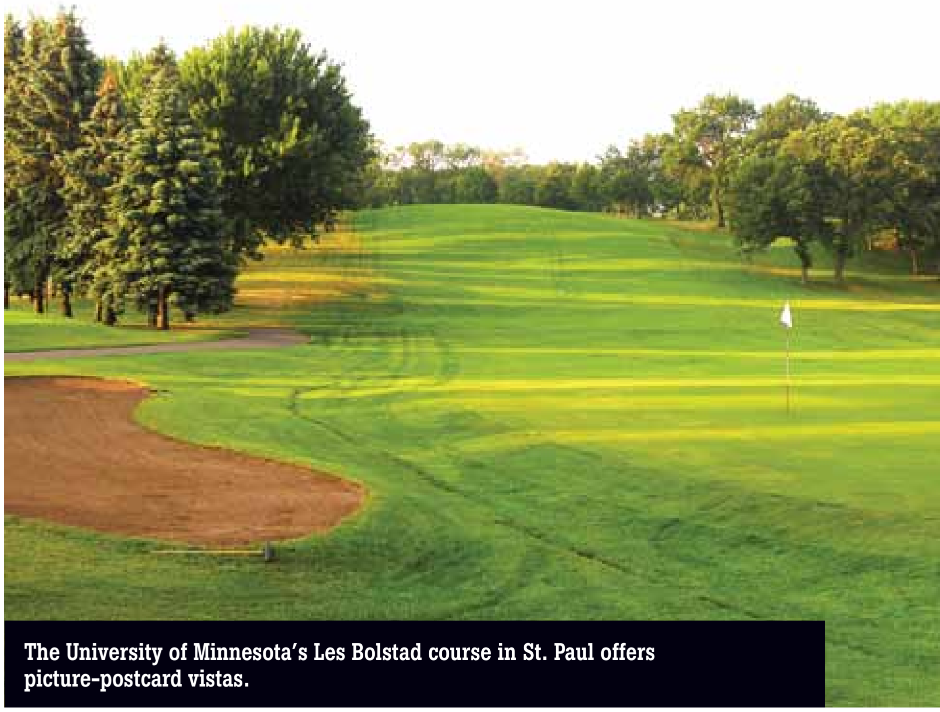


The University of Minnesota's Les Bolstad course in St. Paul offers picture-postcard vistas.

Grand Golf for All

The Twin Cities offers an abundance of superb public courses.

By Melinda Nelson

With a wealth of distinctive public golf courses in the Twin Cities, you don't need a country club membership to treat your VIP guests to a great afternoon on the links. For optimum executive-style ease and efficiency, remember to book tee times, cart, and rental clubs well in advance, as these courses are in high demand.

Rush Creek Golf Club

In true Twin Cities' philanthropic tradition, Rush Creek was developed by W. Duncan MacMillan, a scion of the Cargill family. An avid golfer, MacMillan told the *Star Tribune* in 2004 that he wanted to "make something available for golfers in Minnesota that wouldn't happen otherwise." Designed by John Fought and Bob Cupp, this Scottish-inspired 18-hole par-72 course was the site of the 2004 U.S. Amateur Public Links Championship and several LPGA events. In 2011, the club was voted Course of the Year by the Midwest Golf Course Owners Association. Outdoor dining, as well as meeting and banquet facilities, are available. Guest fees for 18 holes: $109. Maple Grove, 763-494-8844, **rushcreek.com**

Braemar Golf Course

In 1869, Andrew Craik, a Scotsman, named the Edina Mill after his hometown of Edinburgh; the name of the town followed. More than three-quarters of a century later, Braemar Golf Course was carved out of the green, rolling prairie. Today, Braemar's convenient location (just off Highway 169 between Interstate 494 and Highway 62), scenic course, superb conditions, reasonable fees, and personalized service have made it one of *Golf Digest*'s top 75 public courses. With 27 regulation holes and two executive courses, Braemar is challenging for novice golfers and playable for experts. After a day on the links, invite your guests to join you for a round of gin and tonics followed by a celebratory steak dinner at nearby Jimmy's Food & Cocktails, just off Shady Oak Road and Highway 62. Guest fees for nine holes: $20; for 18 holes: $39. Edina, 952-903-5750, **braemargolf.com**

Chaska Town Course

Located less than three miles from the high-profile, exclusive Hazeltine National Golf Club, this top-notch 18-hole public course offers an equally memorable experience for the purist golfer. Named one of the top 100 municipal golf courses by *Golfweek* magazine, the challenging, Arthur Hills–designed course meanders over 285 scenic acres of prairie, marshland, and woods. After putting your clubs away, relax with an Arnie Palmer on the patio of Charlie's Grille and enjoy the sweeping views. Guest fees for 18 holes: $60 weekday, $66 weekend. Chaska, 952-443-3748, **chaskatowncourse.com**

Highland National Golf Course

If your clients have an interest in St. Paul history, a round of golf at Highland National is a must. Wait till you reach the Snoopy-shaped bunker at the 15th hole to explain that this is where cartoonist Charles Schulz learned to play. This landmark course features three sets of tee boxes, an array of challenging hole layouts, 10 ponds, and countless grand old trees. Afterward, make tracks to the nearby Liffey pub and raise a glass of single-malt scotch to Snoopy on the rooftop patio. Guest fees for nine holes: $21; for 18 holes: $33 weekday, $35 weekend. St. Paul, 651-695-3774, **golfstpaul.org**

Les Bolstad University of Minnesota Golf Course

For old-school golfers, this classic collegiate golf club is as picturesque as a vintage postcard. Designed in 1929 as a nine-hole executive track, the 18-hole, parkland-style course was renamed in 1983 in honor of legendary Gopher golf coach Les Bolstad. Over the decades, the course (which also plays an important role in the university's turf grass management program) has hosted Tom Lehman, Louis Lick, Karen Weiss, John Harris, and other Minnesota golf greats, as well as a long list of Big 10, NCAA, and state Public Links championships. Guest fees for 18 holes: $33; discounts for students, faculty, and staff. St. Paul, 612-627-4000, **uofmgolf.com**

Como Golf Course

For urban charm, few Twin Cities courses can rival Como Golf Course, situated behind the storybook Como Park Zoo and Conservatory and across the parkway from scenic Lake Como. Ideal for an easy afternoon of golf, this sporty, rolling 18-hole course is dotted with bunkers, water hazards, and elevation changes. As a bonus, you can see (and hear) the zoo from the seventh and eighth holes. Guest fees for nine holes: $18; 18 holes: $30 weekday, $32 weekend. St. Paul, 651-488-9673, **golfstpaul.org**

Rush Creek is modeled on classic Scottish links.

Plugged In

The best opportunities for networking this month.

By Anna Befort

{ May 5 }

Pacer Center's 30th Annual Benefit

Andy Redleaf of Whitebox Mutual Funds (seated, left) and guests

The Pacer Center's benefit is a rock star in the local gala scene, previously featuring national acts such as Sheryl Crow and Frankie Valli and regularly filling the Convention Center with 2,000-plus people, including countless business and philanthropic leaders. Its 30th annual event will be a funk-filled evening with Earth, Wind & Fire headlining. If mingling with a crowd of 2,700 feels daunting, spring for a patron-level ticket to get access to the post-show patron party, or buy a separate ticket for the pre-show dinner, which is attended by about 280 sponsors, board members, and other Pacer supporters. **5 P.M., $65–$550, Minneapolis Convention Center, 952-838-9000, pacer.org/benefit**

{ May 10 }

18th Annual Great River Gathering

This gathering's crowd of more than 1,000 includes CEOs, lawmakers, journalists, city officials, entrepreneurs, and artists. "[It] is St. Paul's annual

'town meeting' and an excellent event for networking," says Judy Poferl, president and CEO of Northern State Power Company—Minnesota. The event celebrates city life on the Mississippi, with exhibits focused on community development, urban planning, and the environment, followed by a sit-down dinner and a program featuring London city-building expert Charles Landry. Pre-dinner mingling starts at 5:00, as does an invite-only VIP reception. **5 P.M., $65, Saint Paul RiverCentre, 651-293-6860, bit.ly/zEaNUi**

{ May 11 }

Opening Night of *The Amen Corner* at the Guthrie

Most Guthrie opening nights don't involve live gospel music, but then *The Amen Corner* isn't most Guthrie productions. In fact, it isn't a Guthrie production at all; St. Paul's Penumbra Theatre is bringing the James Baldwin play to the Guthrie's Wurtele Thrust stage. The evening will attract both Guthrie and Penumbra patrons. "It's one of those social events that's good to network and be seen at," says Archie Givens, president and CEO of Legacy Management & Development Corporation. Top Penumbra talent is involved, with Lou Bellamy directing, Sanford Moore doing musical direction, and Greta Oglesby—who received critical acclaim for her 2009 role in *Caroline, or Change*—starring in this tale of religion, family, and salvation. **7:30 P.M., $40–$68, Guthrie Theater, Minneapolis, 612-377-2224, guthrietheater.org**

Greta Oglesby stars in *The Amen Corner*.

MIKE HABERMAN

{ May 11–12 }

Amplatz Children's Hospital's WineFest No. 17

In its 17 years, WineFest has raised almost $8.5 million for children's health care at the University of Minnesota. "The [Amplatz] Children's Hospital event is a big-time deal," says Leo Collins, a vice president with RBC Wealth Management. "They get great support from the business community." With two nights and four events, you can mix and match as you please. Friday night's wine symposium and wine-tasting dinner attract a bigger crowd—about 900 people sampling 400-plus wines. Saturday trends a little more formal: The 700-person fine-wine dinner attracts a range of business and philanthropic leaders, and there's a "special reserve reception" for community leaders, sponsors, VIPs, and others willing to shell out $500. **May 11: 5:30 P.M.; May 12: 5:30 P.M. $85–$500, The Depot Minneapolis, 612-626-8429, thewinefest.org**

{ May 16 }

Minnesota Business Ethics Award Luncheon

Join Best Buy CEO Brian Dunn and other local businesspeople for this annual awards luncheon celebrating ethical Minnesota companies. Expect to see leaders from each of the nine companies being honored, as well as community supporters, sponsors, and folks from the Twin Cities chapter of the Society of Financial Service Professionals and the Center for Ethical Business Cultures at the University of St. Thomas, which started the MBEA in 1999. You'll hear how other companies are weaving ethics into their business practices, and perhaps walk away with a few ideas—and new contacts—of your own. **11:30 A.M., $45, Nicollet Island Pavilion, Minneapolis, 651-815-0668, mnethicsaward.org**

LUNCH WATCH

A pair of lunches guarantee good crowds and good causes. "These are great opportunities to network with women business leaders in the Twin Cities," says Kathy Northamer, district president of Robert Half Technology & The Creative Group.

May 3

YWCA of Minneapolis's Circle of Women Luncheon

Girls and women who've been helped by the YWCA's programs share their stories at this event. Now in its 16th year, the event attracts more than 1,200 attendees—mostly female professionals—and big-name corporate sponsors such as Target, Cargill, Medtronic, Best Buy, and Wells Fargo. Get there early to network and shop the silent auction. **10:30 A.M., $125, Minneapolis Convention Center, 612-215-4158, bit.ly/GUK8Go**

May 16

Greater Twin Cities United Way's Women's Leadership Council Luncheon

This is an opportunity to learn about the council's work and meet the passionate, uber-involved philanthropists at its core. (Members donate a minimum of $2,500 a year, so the bar is set high here.) The event, which attracts between 150 and 200 attendees, is free to council members, their guests, and prospective members. **11:30 A.M., free, The Westin Edina Galleria, 612-340-7526, unitedwaytwincities.org/events**

personal brand

BY ELIZABETH DOYLE

Color Within the Lines

From pastels to bold jewel tones to a hint of hue—for spring, **punctuate your look with a pop of color,** no matter your style.

LOOK 1

SHIRT AND PANTS BY BONOBOS

Business Casual

Khakis and polos are commonplace at your office, but that is no excuse to miss out on incorporating spring's biggest trend. Forgo the polo shirt (they're a bit dated) and pair flat-front (not pleated) khakis with a boldly colored button-down shirt with a pattern, like gingham.

LOOK 2

LOOK 3

LOOK 4

IMAGES COURTESY OF (FROM LEFT) KATE SPADE, CORGI, AND ANN TAYLOR

Suit Up

Just because a suit or other more formal attire is required, don't limit your choices to grays, blues, blacks, and coordinating neutrals. Try a colored tie, or socks, or even a pocket square (for those dapper and daring gents). Take 'em for a spin—but just one at a time—for a look that is cool without looking like you're trying too hard.

Creative Surrounds

You pride yourself on showcasing your creativity with your wardrobe, and the term "dress code" doesn't really apply. Punch up your look with poppy jeans (tangerine, teal, mint—you get the idea) seen locally at Nordstrom, Bluebird Boutique, Gap, and Target.

Jet Setter

On the go all the time? Invest in colored separates that can easily be paired with a blazer or sweater for cooler flights, and be mixed and matched while on the road. Locally, look to Ann Taylor, Talbots, and J. Crew for travel-wardrobe staples that won't wrinkle in your carry-on.

ON THE MARKET: POWER TRIPS

Go ahead—update your status from the airport security line, or check e-mail every inning at Target Field. Running down your phone battery as you run around town is about to become a problem of the past.

This month, Minneapolis-based Urban Junket is introducing a collection of women's bags with a built-in rechargeable battery—compatible with most smartphones and tablets. It's the first bag line equipped with this lightweight battery (TSA-friendly to boot), which has enough juice to completely charge an iPhone—twice. Power Trips, made with eco-friendly materials, come in three styles and several bright colors. (Hang on, guys; you'll get yours next year.) Prices range from $198 to $240. Look for them at Local Motion, Moss Envy, and other boutiques. **urbanjunket.com**

—Allison Kaplan

TRANSITIONAL FOOTWEAR

For him:

Forget the brogue—this spring we look to the southern staple, the derby. The off-white nubuck will match next to anything. But skip the seersucker suit to avoid looking like Colonel Sanders. Kearny derby by Florsheim, $90. **zappos.com**

For her:

The patent nude pump is perfect for offices where pantyhose are still part of the dress code. Even if not, the patent round toe pump will elongate any leg—and who doesn't want that, right? Platswoon pump by Stuart Weitzman, $298. **stuartweitzman.com**

For her:

If open toe isn't an issue, the strappy profile lends itself to the warm pre-summer months. And let's be honest, the wedge is just more comfortable than a heel. Cannes espadrille by Bettye Muller, $230. **bettyemueller.com**

For both:

We're seeing color creep into shoes more and more this spring. For fun, pick a pair with an unexpected shade coloring the sole or capping the toe. Jasper Air wingtip by Cole Haan, $148. **colehaan.com**

Business Optimism Soars

More Minnesota companies plan to hire, increase capital outlays, and invest in research and development.

Fifty percent of Minnesota's business leaders believe the state's economy will strengthen in the next three months. That's up from 39 percent in the previous quarter and more than double the percentage who voiced such optimism six months ago, according to *Twin Cities Business*'s 2012 second-quarter economic indicator survey.

Of the 888 businesses from across Minnesota participating in the survey, 49 percent also believe that the national and international economies will improve during the second period, up from 32 percent in the previous quarter. Such optimism comes as Minnesota businesses invest more in their operations and increase overall production.

Planned investments in capital outlays and research and development have risen in each of the last three quarterly surveys. For the current quarter, 38 percent of Minnesota businesses plan to increase their capital outlays, while 28 percent plan to boost research and development spending. Compared with three quarters ago, about 30 percent more businesses will increase capital outlays, and 87 percent more businesses will boost research and development expenditures.

Nearly 50 percent of respondents to the second-quarter 2012 survey also plan to increase their companies' production or service delivery levels—up from 46 percent in the previous quarter, and up 25 percent from the last two quarters of 2011.

Optimism about the economy is continuing to stimulate hiring. The survey found 40 percent of responding businesses plan to add full-time employees this quarter—up from 37 percent who planned to increase headcount during the first quarter, and only 29 percent during the last quarter of 2011. (See the tables at right for Minnesota industries most actively hiring this quarter.)

Meanwhile, anticipated layoffs are the lowest since the survey began four quarters ago. Only 5.5 percent of respondents expect to reduce full-time headcounts in the next couple of months, compared with 8 percent in the two preceding quarters, and 11 percent in the third quarter of 2011.

The only troubling sign from the survey is that 29 percent of respondents expect it to be more difficult this quarter to find qualified talent. This marks the third consecutive quarterly increase in the percentage of companies expressing concerns on this issue. Only 7 percent of respondents believe finding qualified talent will be easier.

This issue also came up frequently when leaders were asked the following: "What do you anticipate as your biggest business challenge within the next three months?" One answer in particular fit the common theme expressed by others: "Finding qualified employees who are willing to work and have a good work ethic." Positions of concern were software engineering, long-haul drivers, machinists, entry-level personnel in a 24/7 environment, information technology, and website development.

About 26 percent of responding businesses plan to raise prices—about the same level as in the first quarter.

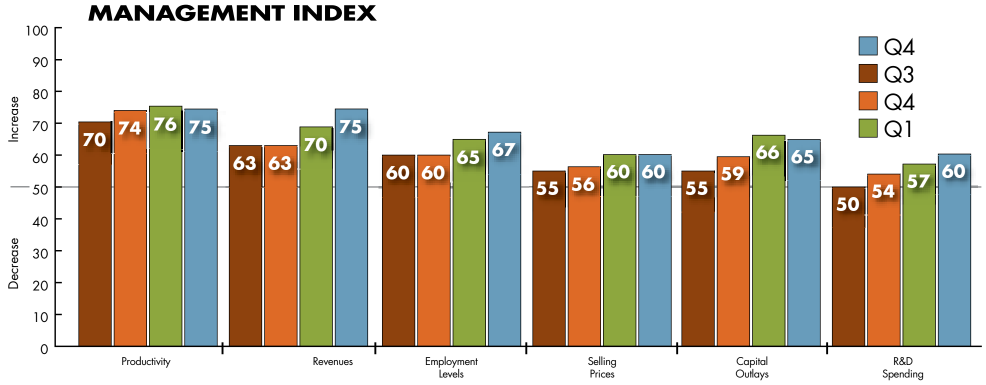
Industries expecting significant increases in operating margins this quarter are Entertainment and Hospitality (41 percent of businesses responding from this sector expect an increase), Banking and Finance (41 percent), Biotech/Med-tech/Pharma (35 percent), and Information Technology/Software/Telecom (33 percent). Industries with the highest percentage of leaders saying they'll see a drop in operating profit margins this quarter are Health Care Delivery and Services (26 percent), Transportation (22 percent), and Retail (22 percent).

Methodology

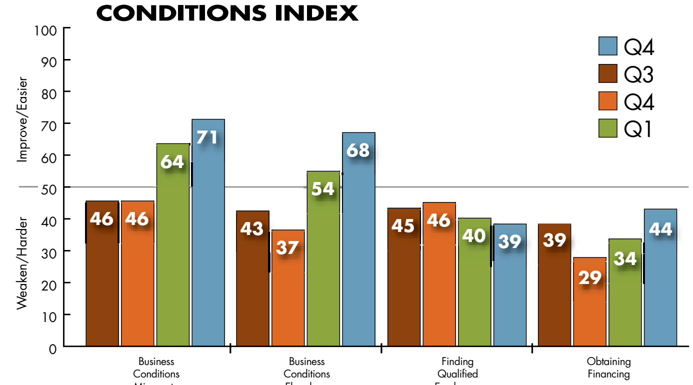
Twin Cities Business conducts this survey quarterly to provide a look at business planning and sentiment among leaders across all industries in Minnesota. It is the only survey of its kind. The tables on the next page provide more information on the survey's findings.

An e-mail link to an online survey was sent to 16,244 Minnesota businesses leaders in mid-March, and reminder e-mails were sent the following week to those who had not completed the survey. The Minnesota Chamber of Commerce provided some of the e-mail addresses used in this outreach. As of March 29, 888 businesses responded, resulting in a 5.5 percent net response rate. Of those who responded, 86 percent represented privately held businesses and 14 percent publicly traded ones. TCB

MINNESOTA BUSINESS MANAGEMENT INDEX



MINNESOTA BUSINESS CONDITIONS INDEX

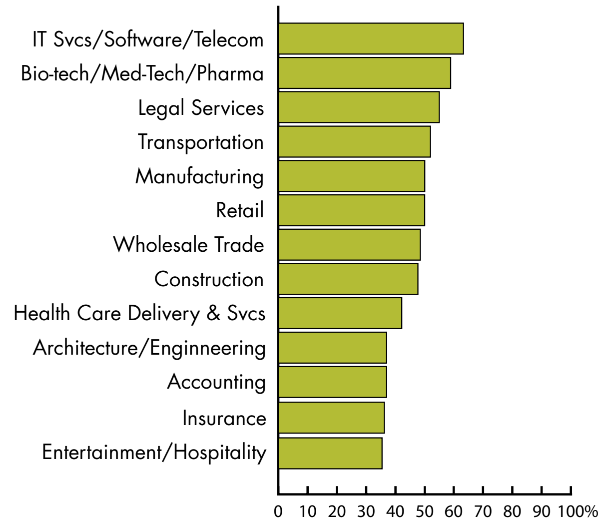


Percentage of respondents anticipating increases in these areas during the first quarter. Diffusion index view: all responses for "increase," plus one-half responses for "maintain."

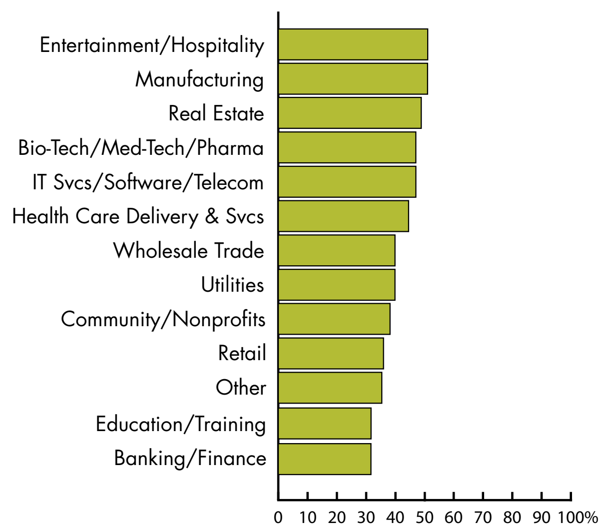
Percent of 888 Minnesota Businesses—By Industry—who Anticipate the Following Changes During the Second Quarter of 2012

Outlook by County for the Second Quarter of 2012

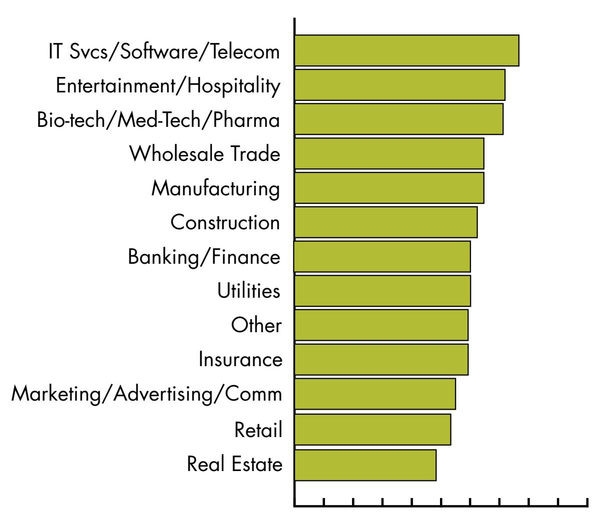
Increase full-time employee count



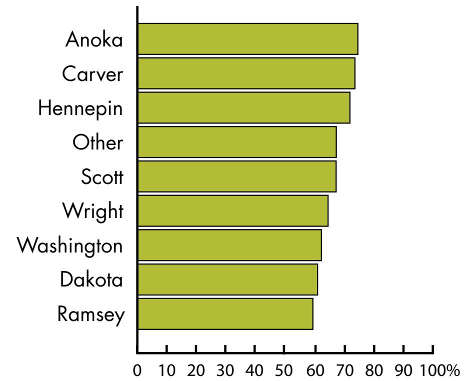
Increase capital outlays/ investments in infrastructure



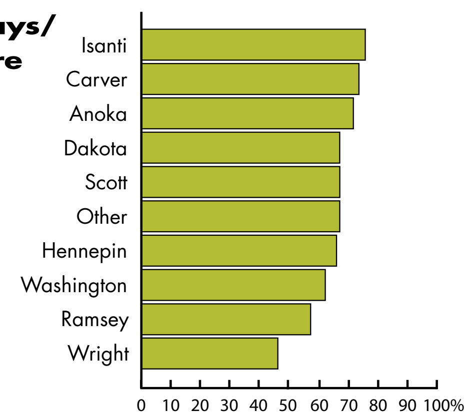
Increase Revenues



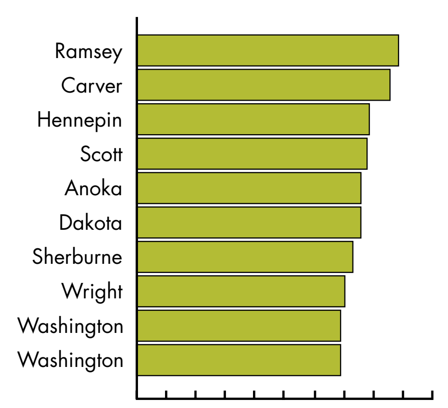
Hiring of full-time workers



Investment in corporate capital outlays/ infrastructure



Corporate revenue



The tables above provide a diffusion-index view: overall responses for "increase," plus one-half of responses for "maintain" from 888 business leaders surveyed in late March, 2012.

Design Recipe

Engineering firm Primordial Soup draws from an extensive kitchen of collaborators to whip up medical devices.

The century-old Allen Building stands on the northeastern edge of St. Paul's Lowertown, where the neighborhood's old grid streets begin to bend and stretch out into Interstate 94 access ramps. In other words, here old meets new. And inside the Allen, on the first floor, a similar confluence is at work: There you'll find a cozily cluttered cluster of workspaces where old-school engineers design and develop cutting-edge products.

At the heart of this mélange is an engineering firm called Primordial Soup, whose specialty is medical devices. The founders and principals—Tim Bachman, Matt Leyden, and Chris Trifilio, who call their firm Psoup for short—have put together a business recipe where device firms on the make can get their products developed without having to assemble their own engineering departments.

"We're like the orchestrators of a project," Bachman says. "We bring all of these needs in, and get all of this stuff done, and take the idea from the concept, prototype it up, figure it out, test it, build it up to something that's manufacturable, source that manufacturer, get that manufacturer up and going, and hand off the reins to the company and let them do business.

"That's why we've been so successful," he adds. "We have this large, far-reaching network of all of the different bits and pieces that it takes to develop a product."

Psoup began to come together in 2000. Bachman ran an engineering firm called Kyber, where he designed and manufactured prototypes for a number of Twin Cities medical device companies. As he built his business, he met Leyden and Trifilio, who both worked for Minneapolis industrial design firm Worrell before striking out on their own. In time, Bachman found himself with more work than he could handle.

RAT RACE STUDIOS

Primordial Soup's engineer-founders keep their eye on practical design: (clockwise from left) Tim Bachman, Matt Leyden, and Chris Trifilio.

This Psoup-engineered device for Plymouth-based Circle Biologics processes a patient's own blood (proteins and cells) and bone marrow aspirate (adult stem cells) for use in regenerative and cell therapy applications.

But "knowing how the business goes up and down, I didn't want to have to say, 'Sorry, I can't pay you anymore,'" Bachman recalls. "So it dawned on me: Why don't I get some other likeminded guys who are doing [engineering projects], but still working out of their basement or attic? I said, 'Hey, come down here. You'll have bricks and mortar to hang your shingle on. And because we'd be just across the hall, it's easier to share resources.'"

Leyden left Worrell in 2002, founded a small orthopedic development company, and in 2005 moved to the Allen. Four years later, Trifilio joined the group, and the Psoup partnership became official. They now work together in a space decorated with oriental rugs on the floor and racks of various device components. The Psoup space also includes a 2,500-square-foot machine shop with two CNC milling centers and a CNC lathe, along with other equipment.

Leyden distinguishes Psoup from what he calls the "booya"—the group of six other engineering firms that the agency has lured to the Allen. Like Psoup, which now has six employees, these other firms are quite small, with 13 people total. About 80 percent of the work flowing through the Psoup shop supports the projects generated by the booya; the rest is fee-for-service work done for outside device firms.

By and large, Psoup serves as a start-up or small company's engineering department. (Its sole established-company client is Honeywell.) Psoup is currently involved in six projects whose fee is $50,000 or more; the company also does about 15 to 20 projects below that billable level per year. All of its work comes via word of mouth.

For Plymouth-based Circle Biologics, a client for 10 years (it originally worked with Bachman), Psoup has designed a product that takes whole blood from a patient, then processes it so that medical personnel can harvest the biological components, such as plasmas, for regenerating damaged tissue. The Psoup engineering team now is working on a device for Circle Biologics that takes bone marrow aspirate—the blood inside a bone—and harvests biological constituents for various regenerative uses (helping restore broken bones, for instance).

(Above) Inside the Soup's HQ. (Right) The agency's Handy Bucket Builder is the first of what it hopes will be many homegrown products.

Psoup also developed the first product to be introduced by Excelsior-based QuickCheck Health, which is creating systems that allow people to take medical tests at home and get results online—and, if positive, complete an online clinic visit and get a prescription—without having to visit a doctor's office. The first product allows patients to test for urinary tract infections.

QuickCheck started working with Psoup in December 2010 after what company founder, president, and CEO Tom Henke, a former senior vice president at Minnetonka-based health insurer Medica, terms "an extensive search." Quick Check tapped Psoup, Henke says, because "they were the most creative and most innovative" agency that his fledgling company found. Henke particularly notes that Psoup has designed a "very simple" device: "They have a good sense of consumer experience and how to make a device easy for consumers to handle."

In working with start-ups such as QuickCheck, Psoup not only can dip into the booya; it also can work with its comrades in the Medical Device Resource Group, a 14-member consortium of (mostly) Twin Cities–based companies that includes law firm Briggs and Morgan and clinical trial software firm Fortress Medical Systems, along with specialists in marketing, manufacturing, and medical packaging.

In addition to its prototyping work, Psoup would like to develop its own products in order "to build equity," says Leyden, who notes that a fee-for-service firm's worth "is pretty much zero." It has one in-house product on the market. The Handy Bucket Builder is a simple, clever piece of plastic that can quickly convert standard five-gallon buckets along with two-by-fours and other basic pieces of lumber into worktables, simple scaffolding, and other construction-work support. It's being marketed by Chanhassen-based Bercom, a maker of painting supplies that's also a Psoup client. The Bucket Builder is available in many True Value, Do It Best, and Ace Hardware stores.

The Psoup partners budget about 10 percent of their time to in-house product development. "Eventually, we'd like that to become equal to or surpass the business of fee for service," Leyden says. Psoup hopes to release two more products this year.

Product development isn't Psoup's only future plan. The three founders hope to lure more engineers into the collective. Like creative chefs, Primordial Soup's principals know that you can always improve a recipe.

—Gene Rebeck

Law for Labors of Love

Start-up law firm Friedman Iverson specializes in legal work for "creative entrepreneurs."

Walk into Friedman Iverson's place of business, and you'd be excused for wondering: *This* is a *law office*? The former auto repair shop in Minneapolis's Lyn-Lake neighborhood that attorneys David Friedman and Blake Iverson use for their legal practice resembles a recording studio, complete with band posters on the walls. And that's by design.

Friedman Iverson's "creative entrepreneur" clients include event planners, graphic and website designers, video production companies, clothing designers, and musicians. These clients need the kinds of services many lawyers provide: writing up contracts, setting up business entities such as partnerships, and offering business advice. But Friedman Iverson's creative clients often are starting their first businesses—and being artistic types, they often know little about potential legal pitfalls.

"People are going into business with their friends," Iverson notes. "That's a really terrifying thing, because things go bad in business all the time. You're going to ruin a personal relationship if that happens, and you're going to also 'underpaper' it." Partners need to draft documents that make everyone's responsibilities crystal clear. Iverson adds that he and Friedman also know when to play the heavy: "You guys love each other now, but you might hate each other in the future."

For creative enterprises, these attorneys argue, boilerplate contracts often don't do the job. "What we want to know is, what ways has your business been burned before?' And then we write the contract" with that in mind, Friedman says. In addition, "We find all the time that we're translating contracts into English. We won't write contracts with legalese. If stuff like 'heretofore' slips through, we'll strike it."

"No one should call their lawyer and ask, 'Did I breach this contract?'" Iverson adds. Clarity can eliminate the need for litigation—though litigation is a service that the firm also can provide.

One of Friedman Iverson's clients is Kedrin Likness, who founded Attagirl by Kedrin in 2007 to market her custom crocheted hats and other accessories. Last summer, having found that her Minneapolis business "grew faster than I expected," the first-time entrepreneur contacted Friedman Iverson, which she'd heard about through Minneapolis-based organization MNFashion, to safeguard trademarks

CHAPIN STITT

Attorneys David Friedman (left) and Blake Iverson are, in a way, creative entrepreneurs themselves.

and draw up licensing and independent-contractor agreements. Besides appreciating the firm's workspace—"it's laid back, not like a stuffy lawyer's office"—Likness praises Iverson for "explaining everything, what he's doing and why," as well as offering different legal options.

Iverson founded the firm in 2008; Friedman joined a year later. In addition to being college friends, they were bandmates. After law school, Friedman returned to New York City to work as a staff attorney for a nonprofit; Iverson took a job at a business services company specializing in legal affairs. Unhappy with his work, Iverson envisioned a different kind of practice and lured Friedman back to Minnesota. It wasn't difficult: Friedman and his wife were finding life in New York too expensive.

Currently, creative enterprises make up about 25 percent of Friedman Iverson's caseload, with the rest comprising consumer law, including bankruptcy filings and debt collection. The partners want to bring that ratio closer to 50-50.

They'd also like to make their workspace into a gathering place for creative types. A lot of the partners' time, Iverson says, is taken up by "being a conduit—referring someone to a good accountant, or just having two clients meet each other because one wants to put up an art opening, and another one has space, and someone else is a DJ, and somebody else is a caterer. If we can be a help for those kinds of people, that's a rising tide that lifts all boats. All our clients win. And you can't help but be a beneficiary to that." TCB

—G. R.

PLAUSIBLE DENIABILITY?

AFTER MORE THAN THREE YEARS OF SILENCE, TOM PETTERS EXPLAINS HOW THE NATION'S THIRD-LARGEST PONZI SCHEME OCCURRED ON HIS WATCH.

BY DALE KURSCHNER

With a bank account balance averaging $100 a month, 54-year-old Thomas J. Petters lives with a roommate in Cellblock C-1 of the United States Penitentiary at Leavenworth, Kansas, where he is expected to eventually die: He was sentenced to 50 years with no chance for parole.

Only four years ago, prisoner number 14170-041 was one of Minnesota's most promising entrepreneurial success stories. He had saved nearly 2,000 jobs and the businesses of Fingerhut, Sun Country Airlines, and Polaroid. He was well regarded by employees and friends, and had become a multimillion-dollar investor in early-stage companies, charities, and university programs. His companies made hundreds of millions of dollars in returns for those who had invested in them over the years. Because of his success, he and close associates were linked to a number of well-known business and civic leaders—individuals such as Ted Mondale, Ted Deikel, Dean Vlahos, U.S. Senator Amy Klobuchar, U.S. Representative Michele Bachmann, and former U.S. Senator Norm Coleman.

But in late September 2008, Petters' name quickly became one to curse, distance oneself from, or both, as details emerged about a $3.65 billion fraud for which he is now serving time.

By all media accounts, to a jury, and to the U.S. Court of Appeals for the Eighth Circuit, the evidence against him seems unquestionable. It includes e-mails, recorded phone calls, and conversations, fraudulent records with his signature on them, and testimony from several witnesses. All of it was used by prosecutors to describe how Petters' original company, Petters Companies Inc. (PCI), sought financing from investors to temporarily purchase and warehouse merchandise that would then be sold to retailers, whose payments would be used to repay investors with a lucrative rate of return. The problem was, by 2008, there was no merchandise trading places. PCI investors' money was used instead to repay other PCI investors (a Ponzi scheme) and keep afloat Petters' more recent business interests, mainly Petters Group Worldwide LLC (PGW)—the holding company for Fingerhut, Sun Country, and Polaroid Corporation.

On September 8, 2008, his longtime business associate Deanna Coleman turned herself in to the FBI for participating in those fraudulent transactions, with help from co-fraudsters Bob White, Larry Reynolds, Michael Catain, and several others. In the weeks that followed, Coleman secretly recorded conversations with Petters, which were used to help

SEE ALSO:

Editor's Note, page 10

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The evidence against him seems unquestionable. It includes e-mails, recorded phone calls and conversations, fraudulent records with his signature on them, and testimony from several witnesses.

ILLUSTRATION BY DALE STEPHANOS

convict him. Petters and his attorney provided explanations for some of this during his trial. But it was to no avail.

"What was clear at the end of his trial was that he would say anything and construct fiction in order to achieve his desired goal. He uses facts to manipulate people for his benefit," said First Assistant U.S. Attorney John Marti in an interview last month. Marti helped prosecute Petters. "He has no empathy or care for how his decisions impact other individuals. Tom Petters is about as narcissistic as they come."

Those who know Petters tell a different story. But they prefer to stay quiet for the most part, given the prevailing animosity in Minnesota toward the words "Tom Petters." Hundreds of investors and dozens of business, charity, and university leaders were hurt by what became the largest white-collar crime in Minnesota history, and the third-largest Ponzi scheme to date nationwide.

"The fallout from this whole thing was so devastating to many people in the community," says a friend of Petters who asked for anonymity. "It quickly became, 'How could you have known him!?' Even now, it's 'How can you say those nice things about him?' The situation becomes a question of whether your allegiance is with those hurt by all of this, or [with] Tom because you knew him. And anyone you talk with who knew Tom may not have been directly affected by it, but they know a number of people who were."

Several individuals, including Coleman (through her attorney) and Deikel, did not return calls or declined to comment for this story. Others would talk only on condition of anonymity, worried about what friends and employers might think about their point of view, or worse, that they could become part of the related ongoing criminal and clawback investigations. Those inquiries are still seeking ways to punish the guilty, and demand repayment from hundreds of individuals and organizations paid by Petters over the years. Even charities are being sued by receiver and trustee Doug Kelley, who claims donations they received from Petters were proceeds from the Ponzi scheme and now must be repaid.

Petters was given a fair trial and convicted. And it's steroptypical for an imprisonned white collar criminal to claim he's innocent, or at least, not as guilty as charged. But interesting questions arise when examining his account of events, media coverage before his trial, and what was presented (and lacking) in terms of concrete evidence presented against him in court. There also was the timing: What better time to convict someone for financial fraud than after millions of Americans had lost their jobs and/or homes due to what seemed like large-scale fraud committed by major U.S. financial institutions?

What if, as Tom Petters maintains, he really didn't know about the Ponzi scheme going on in one of his businesses until shortly before the authorities found out?

Guns were drawn on Petters when he was arrested in his home, reportedly because he had his hands in his pockets. He only removed one at first, then the other.

This question may seem laughable, perhaps even insulting to some. Yet the court of public opinion has never heard Petters' side of his own story. Since his arrest in early October 2008, he declined all requests for interviews from the media, per the advice of his legal counsel (who not only advised against this interview, but also declined to comment).

Here, for the first time, is the story of what happened to a once-upon-a-time, fast-rising Minnesota business star—from his perspective.

Lights Out

It was the morning of September 24, 2008, and Tom Petters was in his room on the 23rd floor of the Bellagio in Las Vegas. He had spent the last few days trying once and for all to understand what had been happening with PCI, the oldest business within his corporate empire. He flew in expecting to receive answers from business associate Larry Reynolds, who days earlier had implied he had records Petters was seeking regarding PCI.

Since the mid-1990s, Petters had trusted two longtime business associates to run PCI—Deanna Coleman and Bob White—but record keeping had run amok. Audits that Petters today says he had assumed covered all of PCI had only covered parts, and, he later learned, were fed by false information. Money was owed to several parties, and there wasn't enough cash coming in to pay them. And as the U.S. financial system was floundering, so was Petters' ability to keep PCI afloat. If there was anyone who could help him get to the bottom of what was going on, he figured it was Reynolds, who also had worked with PCI for more than a decade.

Instead, he found that Reynolds didn't have any records—though he was still adamant that he would help Petters figure things out and get out of the mess he found himself in earlier in the year, when, he says, he first learned from White of "bad paper" (investment documents lacking proper collateral support) at PCI.

Once again, Petters says, he was stumped after trying to figure out through internal resources how PCI wound up owing more money than it had. But this additional setback helped further validate his decision of a day earlier, when he instructed his team to hire PricewaterhouseCoopers to conduct an independent audit of PCI.

A second means of trying to figure out what had gone wrong—selling PCI—was also underway but had slowed due to the economic and financial crisis gripping the world. Petters' hope was that unloading the company would finally free him of the headaches it had been causing him, and that due diligence by the potential buyer would reveal who among his associates had been betraying his trust.

He had indicated to his PCI associates months earlier that he was seeking to identify where the fraud was occurring—and that he was willing to have outsiders come in to figure it out, and even risk getting sued as a result. This stance pushed the fraudsters into the open, but with a twist: In early September, Coleman went to the FBI to report fraud was taking place within PCI, confess that she was a participant, and work out a plea and cooperation agreement that would help her avoid significant jail time. From that afternoon through the end of the month, she wore a wire while talking with Petters, and met frequently with authorities to help interpret what they were hearing. White turned himself in a few weeks later, also with hopes of receiving a reduced sentence. Petters, meanwhile, continued to talk openly with them about the mess he insists he

ILLUSTRATIONS BY RANDALL NELSON

had only recently discovered they were in, and how he wanted badly to fix it.

At 9 A.M. on September 24, the Federal Bureau of Investigation, Internal Revenue Service's Criminal Investigation Division, U.S. Postal Inspection Service, and local law enforcement raided Petters' hotel room in Las Vegas and business headquarters in Minnetonka, much to his surprise and that of hundreds of employees.

"I was on the way to a meeting and a buff, Vin Diesel lookalike with bare arms wearing a police vest stopped me and told me to go to the cafeteria. My first thought was, 'Oh, birthday-cop strip-gram,'" says Melinda Nelson, now a senior editor at *Mpls. St.Paul* magazine, who was working in the media group at Petters' headquarters as editor of *Lake Minnetonka* magazine and Sun Country Airlines' in-flight magazine.

"When I entered the cafeteria I realized there were nearly 100 Vin Diesel lookalikes in the room and saw other employees filing in. We took our seats, and a Tommy Lee Jones lookalike ordered us to hold our cell phones in the air. We all sat there, looking at each other with our arms over our heads," she says. "You get used to the notion that at work, there isn't anything bad taking place. It was hard to process what was happening. A colleague looked at me from across the table and mouthed, 'This isn't good.' And the situation went from possibly funny to weird and surreal to, 'This just really isn't good.'" Employees were allowed to leave after they provided their cell phone numbers and driver's license information. Several PCI employees were interviewed by authorities before being sent home.

Sixteen hundred miles to the west, Petters was going through a similar range of emotions as authorities raided his hotel room. "At first I thought this had to be some sort of joke," he says. But he soon realized things had gone from bad—where he could still possibly fix them—to worse, and he was facing an uncertain future not only for his companies, but for himself.

"For the next week, I was in shock. I had this horrible feeling I had been deceived. In the flurry of events, I knew Deanna had done something but I didn't know exactly what," he says. "The weekend after the raid, attorneys Doug Kelley and Jon Hopeman showed up at my home. Jon reminds me that all of my [corporate] attorneys at Fredrikson have quit, as well as my in-house counsel." With nowhere else to turn quickly and easily, Petters had retained Hopeman as his criminal defense attorney a day earlier. He then opted to retain Kelley as his corporate attorney. But to Petters' surprise, Kelley soon switched sides and became the court-appointed receiver and trustee in charge of selling off Petters' assets.

In the days that followed, White visited Petters at his home almost daily, asking if he could borrow $50,000 for a lawyer, Petters says. "I had by now been hearing bits and pieces that Bob had been forging documents," he says. "I was furious. Then Larry told me in so many words that he had good

Petters' employees were told to gather in the cafeteria, where they were surrounded by **'nearly 100 Vin Diesel lookalikes'** and ordered to hold their phones in the air.

reason to believe that Bob was going to mess up the investigation [into who was leading the fraud] and I should do what's necessary to have him leave town for a while. So I told Bob, 'You should leave.'" White had by then also agreed to wear a wire, and authorities recorded the conversation, which included mentions of fake IDs and international travel.

Within two days of that conversation, on October 3, the FBI and local law enforcement entered Petters' home, guns drawn. "I had just gotten out of the shower and had gotten dressed when I heard, 'Freeze!'" Because of his conversation with White, Petters was arrested for obstruction of justice and held without bail for being a flight risk—even though he had turned in his passport, and authorities' search of his e-mails, Internet search history, bank accounts, and previous travel patterns found no evidence that Petters planned to leave the country.

"That was when the lights went out in terms of being able to communicate. I could no longer communicate with anyone other than my attorney in a county courthouse," Petters says from Leavenworth. "Today is the first day since October 3, 2008, that I've talked with anybody other than my attorney, family members, and a few friends."

The Beginning

Tom Petters grew up a salesman and entrepreneur. His great-grandfather started Petters Fur and Fabrics in downtown St. Cloud in the late 1800s, and through the early 1970s, it was a quality retailer that central Minnesota residents held in high esteem, as they did the Petters family name. Tom Petters started working at the store when he was 10 and learned the retail business by working with his dad.

His parents, Fred and Rosemary, taught him, as well as his five siblings, to "be cautious, understand the risk of retail, grow slowly, and sell when profitable," he said in a 1998 interview with Monte Hanson, then a senior editor with *Profits Journal*, a monthly publication covering emerging, venture-backed, and small-cap stock companies. (The publication was owned and published by this writer). But Petters was young and had his own style about him, one that took on risk with gusto and had an insatiable appetite for quick growth.

By age 15, he started his own business, Ear Electronics, a mail-order operation that provided college students in St. Cloud a source of affordable stereo equipment. It was 1973, and Petters obtained turntables, speakers, and car stereos from wholesalers, then sold them for prices below retail. He managed his business from a downtown office, complete with his own secretary (one of his classmates). When his parents discovered this was why his grades were suffering, they forced him to shut it down and find a way to pay off a remaining balance of $7,000. "I had to pay $69.23 a month on a loan. It seemed like an eternity," Petters said in the 1998 interview.

Petters barely made it through one semester at St. Cloud State University; he couldn't stand school—in part, he later discovered, because he has attention deficit disorder. In 1980, he met his wife, Jamie; they married, and they moved to Colorado; by 1984, they had two children, John and Jenny.

Petters worked as a regional manager for Merrick, New York–based retailer Top Brass, managing half of its 144 stores for five years. When Top Brass declared bankruptcy, he purchased five of its locations in Colorado and Kansas and was promised financing to help operate them, he says. The financing didn't materialize, however, so he decided to close the stores and move back to Minnesota. The situation led to a lawsuit and a warrant for Petters' arrest that he says he was unaware of at first.

When he learned of it, he returned to Colorado, paid restitution, and later had his record there sealed and references to it in Minnesota expunged.

During his trial years later, prosecutors would present this and another, similar situation as signs of a pattern—of how Petters would sell investors on an idea and then not repay them.

While he was still living in Colorado, Petters' marriage ended, and he wound up using cocaine fairly frequently. "By the time I left Colorado Springs in 1987, everyone I knew was using it," he says. "My neighbors, my lawyer, my real estate agent—everyone in the 1980s did cocaine." One reason for moving back to Minnesota was the addiction treatment center Hazelden: Petters says he checked himself in for treatment and has since used cocaine "maybe once or twice. I'm a big advocate of Hazelden."

At times in the years that followed, those around him would somtimes think he was on cocaine, especially after his son was murdered in 2004. But it was prescription medications—Adderall for attention deficit disorder, Klonopin for anxiety, and Ambien for sleeping—combined with alcohol that sometimes affected his behavior and speech.

"It progressively got worse as he was trying to manage more companies and whatnot," his daughter, Jenny, said during his bail hearing in 2009. It's also possible to hear on the government's audio recordings of Petters how the combination of prescription drugs and alcohol would at times affect his speech and lead to rambling sentences. His defense counsel would later say the court needed to realize that he was making things up or talking half-seriously in some of those recordings, given his state of mind.

After Hazelden, Petters was able to raise a small amount of financing and in 1988 started Amicus Trading Company, a wholesale brokerage that bought and traded closeout, overstock, and factory-reconditioned merchandise and goods from distressed retailers, distributors, manufacturers, and financial organizations, and then sold them at prices typically 50 percent to 70 percent below wholesale cost to discount retailers such as Costco.

As the Costcos of the world grew quickly, they began to seek larger supplies of product—and product from name-brand manufacturers. Fred Johnson, a salesman for Van Nuys, California-based Sellway Trading (a company similar to Amicus) reached out to Petters for help finding Sony TVs that could be sold to Costco.

"Costco wanted name-brand goods. But big name-brand manufacturers didn't want to sell to Costco" because doing so would depress prices that Sony was selling its televisions for elsewhere, Petters says. "So I bought thousands of Sony TVs from Best Buy's commercial division, and then sold them to Costco. At the time, it had about 30 stores, and selling name-brand products such as Sony, Coach, and Prada helped it achieve higher square-footage sales." The process was commonly referred to at the time as "diverting."

Fake Purchase Orders

Johnson says he teamed up with Petters and the two sold thousands of TVs to various buyers. "The two biggest players back then were Sam's Club and Costco. We'd find other sources where we could buy TVs under whatever name we'd make up. That name would then sell them to Costco, which would pay us through a cashier's check," he says. "Tom and I used to do a lot of it. RCA, Sony—we found plenty of sources we could buy from and it was legit. We used to find the merchandise and in some cases, we wouldn't have the funds to buy it. So we'd receive the funds from Costco in the form of a cashier's check, and then buy the inventory and have it shipped to Costco."

The cashier's check and fake company names were standard practice in the diverting business, Johnson and Petters say. Discount chains hungry for name-brand products were growing rapidly, and diverters were in high demand. Retailers would pay via cashier's checks to companies such as PCI that were using fake names so that the name-brand manufacturers couldn't trace how their merchandise wound up in a discount retail store.

In addition, diverters such as Petters created fictitious purchase orders that were used for internal purposes only—including for affixing to shipments. If a manufacturer found and read such an order, it would see a fake company's name as either the original buyer of the TVs or the entity that was now buying them, and be unable to trace where they really came from or were going, Petters says. As diverting became even more competitive, diverters had to keep manufacturers out of warehouses altogether. Some manufacturers or competitors would disguise themselves as auditors or insurance agents—tricks that Petters became aware of and warned his team about repeatedly.

Amicus grew into a successful and profitable company. By the mid-1990s, it consisted of Johnson, Petters, White—who joined in 1993 to help with financing and investor relations—and Coleman, who also joined in 1993. She was an organized, bookkeeping type who made sure documents for deals were drawn up correctly and that everyone received payment as planned. Shortly after she started working for Petters, Coleman was signing all of his company's checks and before long, was authorized to use signature stamps with Petters' signature.

> 'We would receive the funds from Costco in the form of a cashier's check, and **then buy the inventory and have it shipped to Costco.'**
>
> —Fred Johnson, who worked with PCI for about 10 years.

In 1994, Petters met Reynolds, "a vendor who sold me deals. He purported to own 10 to 15 stores and introduced me to people at companies such as Adidas and Nike," Petters says. He also met Frank Vennes, who from that point forward helped attract investors willing to provide short-term financing for PCI to buy merchandise.

Business was going well and growing, but Petters grew tired of it. "I didn't like the diverting business because every time money was being made it wasn't as much as it first seemed it would be. There would be times when I thought we made $100,000 and it would end up being only $15,000—what happened?" he says today. Instead, he wanted to open and operate his own retail operations—sort of like Costco stores but smaller—called Petters Warehouse Direct Inc.

Later in 1994, Petters says, "we had a board meeting. Bob White was secretary-treasurer. I told them I really wanted to do retail and wanted to let this [current] business go. Bob says, 'Let's continue the financing business—you can do deals for your stores and for wholesalers. We can make 2 percent to 3 percent working for the wholesalers, so let's do the hybrid of closeout businesses, buying for stores, and the diverting business.'

"We had a checklist of things to check on with every transaction done to make sure they were by the book. Larry [and his Nationwide International Resources business] was to check on deals west of the Mississippi, and Catain [who later established his Enchanted Family Buying Group] was to do the same on the east. Deanna was to divide things as needed," Petters says. "We would make a return of 6 percent or 7 percent on average, and give up

1.5 percent of it to Reynolds or Catain for making sure the deal was legitimate and clean. (See "Cast of Characters," online at http://bit.ly/HsD3OP.)

"I became convinced I could have these other people do this. And we'd continue to generate profits that could help me grow the retail business. In the 10 years afterwards, I maybe did 10 deals in PCI. I never looked at another purchase order—I just looked at the signature page and trusted they were doing things correctly."

By 1995, Amicus had changed its name to Petters Companies Inc. (PCI) and was driven more and more by White and Coleman, allowing Petters to focus on his retail business and come back to PCI only when needed to help bring in a new investor or deal with any major client issues that arose. And it continued to conduct legitimate transactions under the PCI name.

"I remember his business calling on us and their selling products to us. And I met [Petters] a few times, sort of a meet-and-greet," says Mark Cohn, co-founder and former CEO of Damark International Inc., then a publicly traded, national direct marketer of name-brand merchandise based in Minneapolis. "By then, we were a $500 million or $600 million company and were doing business with many vendors. PCI probably sold us a million or two [million] dollars' worth of product. Then his business sort of got very big and he began to open retail stores."

Petters Group Worldwide

Over the next three years—fueled by profits from PCI—Petters Warehouse Direct went on a buying spree. By early 1998 it was operating 14 national-brand, discount-retail stores in Minnesota, Wisconsin, and North Dakota, the *Profits Journal* story reported. Petters reported that he had just acquired eight World's Greatest Deals retail stores from Minneapolis financier Irwin Jacobs' Jacobs Trading Company, as well as closeout merchandise from seven Montgomery Ward distribution centers; assets of Florida-based Standard Brands Electronics' 21 stores; inventory from three Incredible Universe stores; Detroit-based Fretter Inc.; Kent Distributing; and 16 defunct Steinberg stores.

Later in 1998, as the internet became the land of opportunity for commerce, Petters opened RedTagBiz Inc., a Web-based business to do essentially the same thing as Petters Warehouse retail stores, only without the bricks and mortar. Within its first two years, Redtag.com reported $1 billion in sales. By 2003, Ted Mondale was its president and the company employed 62 people.

Through the 1990s, PCI's earnings continued to generate cash for Petters' other business expansion plans because its timing was so good; it offered expertise in finding and financing discounted name-brand consumer products to feed what was then a budding industry in America—the large-volume, discount retail business.

PCI's annual revenues grew from $4 million in 1993 to more than $120 million in 1997, with a gross profit of $18.5 million and earnings before taxes of $11.6 million, according to filings it made with lender GE Capital at the time. After doing its due diligence on PCI, GE provided the company with a $50 million line of credit in 1998, and PCI continued to flourish.

By 2004, Petters was seen as an up-and-coming, charismatic business leader. And **his Midas touch** attracted major investors, politicians, and corporate executives.

Within the next few years, Petters Warehouse Direct stores were eventually sold off (half of them to Coleman to help her expand her professional experience, Petters says); PCI focused more on providing financing for others who wanted to sell diverted merchandise, and Petters set his sights on bigger projects through a new business called Petters Group Worldwide (PGW).

His first major opportunity surfaced in 2002: Fingerhut, a Minnetonka-based direct-to-consumer marketing company selling products and services through catalogs, the Internet, and direct marketing. The nation's second-largest consumer catalog marketer, it had been purchased by Federated Department Stores Inc. for $1.7 billion in 1999. Federated couldn't make a go of it, however, and after losing more than $1 billion, decided to shut it down and lay off more than 6,000 people worldwide, including more than 2,000 who worked at its warehouse facility in Petters' hometown of St. Cloud. By May 2002, it had laid off 3,800 people.

Petters approached Ted Deikel, who had originally sold Fingerhut to Federated, and asked him to lead it again if Petters could pull together the financing to acquire most of its still-viable assets. PCI loaned the money and obtained other financing for the two of them to purchase Fingerhut through a newly formed company, FAC Acquisitions LLC, for about $78 million. At that time, there were only a few hundred employees left. Petters soon sold Fingerhut's real estate, used the proceeds to pay off what had been borrowed to buy the company, and eventually increased the company's headcount by more than 1,000 positions, mostly in St. Cloud. Fingerhut became part of a new holding company, Bluestem Brands Inc., and today is a profitable nationwide direct retailer via online and mail-order services. It's poised to go public and is valued at approximately $525 million.

Also in 2002, Petters approached Polaroid with the idea of using its name to sell consumer electronics such as televisions and DVD players. He purchased a license to do so, then went to China to have low-cost, quality TVs made. His company imported them to the United States, put the Polaroid name on them, gave buyers a warranty, and sold $1 billion worth, he says. By the end of 2003, Petters Consumer Brands was set up under the PGW umbrella, and it went on to sell more portable DVD players than any other brand sold in the United States. PCI helped finance Consumer Brands' activities.

By this time, Petters had established a reputation as an up-and-coming, charismatic business leader. He purchased Chicago-based uBid, the second-largest Internet auction site, in 2003, as well as several smaller companies, while investing in startups, and donating to charities and universities. During the next four years, he would donate tens of millions of dollars to dozens of organizations, including the Juvenile Diabetes Research Foundation, St. Jude Children's Research Hospital, Minnesota Teen Challenge, the University of Minnesota Foundation, Miami University of Ohio (his son John's alma mater), and the Order of St. Benedict.

Petters also remained close to his parents, brothers and sisters, and children. "That was one of the most important things to him, family," says an individual who knew Petters personally and asked to remain nameless. "He was always texting and talking with his kids, almost more so than with his business associates or workers. And he always kept in touch with his ex-wife [Jamie Wilcox] and continued to help her with things."

But then the unthinkable happened. On March 14, 2004, Petters' son John was murdered while visiting friends in Italy. "After John's death, my personal and professional life was on steroids . . . more was better, so I didn't have to deal with anything I was feeling." (For more on Petters' response to the tragedy, see Q&A, page 44).

Flying high: Petters, along with other executives, touted his acquisition of Sun Country Airlines on the cover of his company's magazine.

Meanwhile, Petters Consumer Brands had done so well selling under the Polaroid brand that officials at Polaroid told Petters they wanted to end the licensing arrangement, he says. Instead, he wound up buying Polaroid outright for $426 million in January 2005, using personal funds and financing provided through JPMorgan Chase. Within a few years, Polaroid was poised to launch a new technology called ZINK (which stands for "zero ink," because it produces full-color prints without ink cartridges).

"I was working on a worldwide licensing strategy [for Polaroid] that was going to bring in an estimated $2.8 billion—I had just made preliminary deals in three countries for over $900 million," Petters says. "I also was working on a pending sale of half the company, and my attorneys were in the midst of completing a letter of intent with an overseas investor for $1.4 billion." He says he also was working on acquiring Kodak and merging it with Polaroid.

As if Fingerhut and Polaroid weren't enough, Petters heard that Sun Country Airlines was on the brink of shutting down in 2006 and decided to become co-owner of the airline, along with Minneapolis hedge fund manager Whitebox Advisors. In November 2007, Petters bought full ownership of the airline.

"It looked like a bargain, and we saved about 800 jobs," he says. "We were going to augment this by developing a private-jet completion center where the old Champion Air used to be at the [Minneapolis/St. Paul International] airport, which would have brought another 500 or 600 jobs. Corporate jets are sold 'green,' meaning they have the cockpit, oxygen masks, and that's about it. They have to go to completion centers, and they're mostly outside the country right now. We had the exclusive contract to complete Airbus private jets." Petters' last news conference was held September 25, 2008, at the airport, celebrating the new Petters Aviation facility and its plans. But little was mentioned of it by the media, which focused instead on the raid that had occurred the day before, the government's allegations, and Petters' likely upcoming demise.

By 2008, Petters' time was spent largely on PGW matters, speaking at university business schools, participating in fundraising and charitable events, and spending time with his family. With all this on his plate, he spent almost no time working on PCI activities, he says, and instead left them in what he thought were the trustworthy hands of Coleman, White, Reynolds, and Catain.

Warning Signs

During the fast-growth years between 1998 and 2007, there were instances in which—from an outsider's perspective—it seems Petters should have noticed something was wrong at PCI. Federal prosecutors would later persuade a jury that he did know, not only because of how he talked during secretly recorded conversations in 2008, but because of other records, especially those revealing his actions in 2000 regarding GE Capital.

While the FBI and forensic accountants today say there was never any real business taking place at PCI, Petters says the $50 million line of credit from GE proved there was actual business taking place. GE Capital does thorough due diligence before financing anybody, he says, and it continued to run periodic checks on PCI—including visits to warehouses to check on inventory backed by its line of credit. GE

AN ABRUPT HALT

Over the years, nearly $40 billion flowed through Petters' operations. Investors during that time received lucrative returns on their investments of 15 percent to more than 30 percent. Thousands of jobs were saved. New technology was advanced. Startups and charities received financial support.

At the time of the raid, an estimated 3,200 people were employed, and all investors either had been repaid or were going to be repaid as promised, Petters says. The federal raid of his businesses, his subsequent departure, and the hand-off of management to Minneapolis attorney Doug Kelley ended his ability to repay investors at PCI, conduct corporate investment deals, and continue generating operating revenues at PGW. Losses quickly occurred thereafter.

Kelley subsequently became the court appointed trustee and reciever handeling the Petters case. Since the raid, his firm has identified $3.8 billion lost through the PCI Ponzi scheme. Actual cash losses—what nearly 500 remaining investors had invested in PCI-related notes versus what they had been paid back at the time of the raid—total $2.5 billion, according to Kelley's office.

The U.S. Probation Office's presentence investigation report estimated that PCI victims lost less than $900 million. U.S. District Court Judge Richard Kyle declined to order restitution because of the difficulty in determining who had truly lost money, versus those who had invested and had been repaid or had made a profit. Instead, he left matters in the hands of Kelley and his team to work with those who claim they have been victimized, and also to go after those who could be ordered or sued to help repay those who truly were victims.

Most were sophisticated investors, but approximately 40 were individuals who invested significant portions of their retirement savings in hedge funds that backed PCI. *—D. K.*

did believe that everything was fine at PCI until payments started to come in late in mid-2000, according to court records. When that occurred and GE asked PCI about it, it was told by Petters' associates that the delays were because Costco was late paying what it owed PCI. But GE Capital contacted Costco directly to inquire why it was late, and was told by Costco that there were no outstanding orders with PCI.

Petters says he was then brought into the situation and, based on what his team told him, he wrote Costco, apologizing for the confusion, and said he would let GE Capital know that there had been a mistake at PCI. However, in his phone conversations with GE Capital, he continued to blame Costco, according to court records. He continued to assure payment would be made soon, only to then give additional reasons for further delays that stretched things out by months. Toward the end, checks sent to pay what was owed bounced, records show. The prosecution during his criminal trial said this sequence of events proves he knew fraud was taking place in 2000.

Though Petters concedes that much of what occurred was messy and included checks bouncing, he continues to insist that he acted on what his PCI leadership team was telling him. "This raised [red] flags to me but I found it conceivable that the list of receivables involving Costco really was a mistake on our part. I hit the problem head-on and called them, said it was a mistake and we'll take care of it right away, which we did," he says. The line of credit in question was paid off. And his relationship with GE Capital continued to be good, he adds, citing as evidence that it provided his organization with $55 million in additional financing for the RedTagBiz operation that same year.

There also were other incidents that Petters now realizes he should have looked into.

In about 2002, he received a call from Coleman saying the FBI wanted to talk with him about a company PCI was doing business with. "She told me the bank accounts were closed and it had wired money to PCI. Then I heard the FBI wanted to talk with us. From what they told us at the time, I figured we should simply not do business with that company anymore, and that's what I told the FBI, and that's what we did.

"I can't tell you how many times I wake up wishing that at that meeting, I would have asked more. It's a shame [the FBI] didn't look further," he says. "I told them exactly what it was: I received a call from Deanna saying we're having a problem [with a vendor], and that the FBI is coming out. I said, 'OK, let's call Fredrikson to have an attorney there.' I told them what I knew. I told them what Deanna told me. The essence of that investigation would have benefited us—they were looking at bank accounts" of the vendor.

PCI also had an inquiry from the Minnesota Department of Finance at about that time, Petters says, but nothing came of it.

While the prosecution would later use these and other events as proof of his knowledge of the fraud at PCI, Petters says he viewed them as the opposite: The finance department found nothing wrong; the FBI went away; GE Capital had previously audited and found everything fine except for that one mistake Petters had cleared up. Over the years and through 2007, he was told by his team at PCI that audits were done by accounting firms Virchow Krause, Eide Bailly, and others. And then, he says, there were the hedge funds with which PCI was doing business. They, too, audited the company before investing in it. "They hired Arthur Andersen in 2000 to audit PCI," he says. "Everything looked fine, given there were all those audits."

Petters didn't review the audits, however. "Generally speaking, in a business with 51 companies, the CEO is not in them auditing the books," he says. Instead, he was busy building PGW and helping establish licensing agreements for Polaroid. He says he believed PCI was continuing to really move inventory and make money from it, and trusted Coleman, White, Reynolds, and others as they told him it was operating as expected—as a finance company that used equity and buying power and made a spread. Indeed, several e-mails from Reynolds and between Coleman and others through early 2008 show them discussing details on major merchandise transactions.

As for the times Coleman would call him in to help with a problem, such as with GE, "if you only get called to a scene when there was an accident, you never see how many cars really go through the intersection," Petters says.

Continuing with the metaphor, he says he believed legitimate traffic was otherwise extremely heavy when, in fact, it was becoming lighter as PCI began to generate false documents telling investors their money was supporting diverting sales; in reality, they were paying off other investors, as well as financing the growth of PGW.

Meanwhile, PCI had been originally set up so only two people had access to its bank accounts—Coleman and Petters. Over the years, Petters called Coleman when something needed to be done with the account, but he let her have complete control. Even his accountant could not access the account; only Coleman could. There is no paper evidence showing Petters conducted PCI bank transactions, only witness statements saying he would sometimes call a bank to request transfers. It's also unknown where such funds may have gone—Petters often used his personal accounts to purchase assets for his companies, invest in other businesses, and donate to charities.

DOES THE PUNISHMENT FIT THE CRIME?

Whatever you think of Tom Petters, you may also be thinking: Why might someone convicted of second-degree murder be able to get out of prison in 10 years, while Petters (assuming his appeal doesn't succeed) won't be able to leave Leavenworth until he's more than a century old—with no chance for parole?

For one thing, Petters was convicted of federal crimes: mail fraud, wire fraud, money laundering, and conspiracy to commit them. In 1984, the federal government abolished parole for all federal offenses, regardless of severity, committed on or after November 1, 1987. If he'd been convicted of a crime falling under the jurisdiction of a Minnesota court, Petters might have been eligible for parole after about five years of his sentence.

What's more, federal penalties for white-collar crime were toughened up in the wake of various corporate scandals (Enron, WorldCom, et cetera) and the 2002 passage of the Sarbanes-Oxley Act. For mail and wire fraud, the feds ratcheted up the maximum sentence from 5 years to 20.

Compare Petters' sentence with those for some notable felonies. All assume little or no criminal history; a judge may pronounce sentence within the range given. Federal guidelines for the same crimes are more complex, and aren't included here. —*Gene Rebeck*

OFFENSE	YEARS
Second-degree murder	22–31
Aggravated robbery (first degree)	3–5
Controlled substance crime (first degree)	6–9
Criminal sexual conduct (first degree)	12–14

Minnesota guidelines as 8/1/11

Compounding matters was the fact that the relationship between Petters and Coleman turned sexual in 2005, then ended a year later. Thereafter, things seemed to change at PCI, and Petters seemed too busy to realize it, longtime associate Johnson says.

"I worked with all three of them for nearly eight years," Johnson says about Petters, Coleman, and White. "Back in the beginning, the three of us were the closest because we spent a lot of time together. Deanna was one of the guys, like us.

"But around 2005 or 2006, Deanna really became very distant whenever I called or tried to talk with Tom. She'd always say he was out of town and she wouldn't give him my messages," Johnson adds. "Bob White also in the same way started acting distant, and I couldn't figure that out. Things got fuzzier, and it seemed like the four of them [White, Coleman, Reynolds, and Catain] had their own ballgame going, and Tom wasn't involved anymore. It seemed like something was up."

Johnson says this led him to stop working with PCI in 2006, and because his main contact over the years—Petters—was no longer available. And it was Petters he trusted.

"Tom was always great at getting stuff going, but he rarely finished it—he'd turn it over to someone else to finish," Johnson says. "He never rode it out to the end. Maybe he didn't fully grasp what was going on as a result."

The Unraveling

"I started to hear about cash-flow issues in late 2007," Petters says. "In the first quarter of 2008, I'm talking with hedge funds not realizing we had a serious problem, though; I never would have borrowed $180 million from [Chicago investor] Thane Ritchie if I knew this was happening. I was assured by Coleman, White, Reynolds—all of them—that we had receivables, and we would be paid.

"But in July [2008], it got really bad. That's when White told me that 20 percent to 30 percent of our paper was bad," Petters says. "I asked, 'If that's so, why are we not getting paid in the deals that were not bad?' And I was told it was because they were late in paying us."

Meanwhile, the bursting of the housing bubble the previous year and the subsequent collapse of the sub-prime mortgage industry had led to a near meltdown of the entire U.S. financial system. Financing for all businesses became extremely tight in 2008.

By then, Petters' schedule became almost intolerable. "I was on my BlackBerry all day and night, leaving voice mails and sending e-mails at 4 A.M. All these companies, and operations all over the world—I was in Japan, China, Europe, Korea . . . . Between that and trying to keep tabs on things, I had way too much on my plate," Petters says. "I ended up having an incredibly hard time balancing things, as did most other people trying to run a business that year."

In July, Petters says, he brought up to Reynolds, Coleman, and White that he would like to have an audit done, but Reynolds told him to hold off because he would track down the paper trail and figure out what happened. "He told me we'll figure out where the rat is, and that I should stop scaring Deanna," Petters says, because the more he became concerned about what was by then obviously fraud, the more upset Coleman would become.

Petters says that he began discussions with Fortress Investment Group to buy out PCI. "I wanted Fortress to come in because I knew the end of hell was finally coming," he says. "Whether it was $300 million or $1 billion that we were really short, the due diligence process would find it out, and why."

Initial witness statements described fraud taking place by Deanna Coleman and others, but provided little to no mention of Petters being directly involved.

Coleman and White, however, had been creating the fraudulent transactions Petters says he was just learning about. As he tried to find out what had happened, he tried to maintain as relaxed a demeanor as possible, thinking that if he became too concerned, they wouldn't reveal what he needed to learn, he says. As time went on, he became more direct. "When I told them I was trying to sell the company and looking forward to the due diligence that would come about, the two of them became combative with me, saying Costco and others will sue us. I said, 'Let them.'" And while he thought Reynolds was enough of an outsider to help, Petters discovered too late—on September 23—that Reynolds would not.

Coleman, meanwhile, had already gone to the FBI. For her testimony, and for wearing a wire to record Petters in the weeks that followed, she wound up serving less than 11 months in jail and is today a free woman.

"I never doubted anything Deanna told me. But during the last three weeks before the raid, it was like I was working with somebody who was having a nervous breakdown," Petters says. "Have you ever had somebody walk up to you and say, 'I like your suit. You think it's brown but it's blue'? Then she recorded me as I'm realizing there was a huge problem; things were being said to me that had not been said before, and I was reacting to them."

The recordings provided what the prosecution would say was clear evidence that Petters knew of the fraud. For example, in one recording he says, "This is all one big f---ing fraud." Petters says he stated this just realizing the gravity of the situation. In another recording, when asked whether a potential investor knows PCI purchase orders are fake, he says, "f--- no, they don't know they're fake." That comment was made, he says, because purchase orders were fake (for reasons explained earlier in this story) and were not supposed to be used in the manner he later found the PCI team had been using them.

Within 16 days after she went to the FBI, Coleman's testimony and the recordings were enough for authorities to obtain warrants and raid Petters' operations. Less than two weeks later, he was arrested, and Petters has been incarcerated ever since.

The Conviction

In December 2009, after five days of deliberation, a jury found Petters guilty on 20 counts of fraud, conspiracy, and money laundering.

"Facts didn't matter to Tom Petters," says Assistant U.S. Attorney John Marti, who adds that it was implausible Coleman and White could run something so complex. "If you spent a couple hours with them, you would realize they were not capable of pulling this off. They had defined roles."

It also, "was amazing that so many people [committing fraud] could come together like that in one place, and that wasn't just chance," jury forewoman Jolyne Cross said after Petters' conviction.

And it seemed impossible for only three employees at PCI to generate several billions of dollars worth of real business. "The paperwork alone would be overwhelming," says an individual who worked on the case for the government. "And somebody had to sell this [to investors] and he's a salesman. Deanna Coleman and Bob White were not salespeople."

Yet Coleman and White didn't need to be the salespeople, Petters says. Vennes, through his Metro Gem Inc. and newly formed hedge funds with others, including David Harrold and Bruce Prevost, allegedly engaged in thousands of transactions attracting investors' money to purchase PCI notes, according to federal indictments filed against them. All along, Vennes told those other fund managers that all communications with Petters and PCI should go through him, according to the indictment. Other hedge fund managers operated the same way—they were the salesmen, Petters says, not him.

Vennes' indictment also backs up Petters' claim that he was just learning about the fraud at PCI in the summer of 2008. The indictment states Petters allegedly warned Vennes in July of that year that there was fraud at PCI, and as much as 20 percent of PCI's notes were compromised.

Other government records show how witnesses initially described the situation at PCI before the prosecution prepared its case; the prosecution focused instead on those who hoped to receive reduced sentences by providing testimony helpful to the government.

Sandra Indahl was a senior accountant at PCI for six years and her duties included preparing its general ledger. She described how orders would be submitted and processed between several individuals, but didn't mention Petters as an active participant, in her interview conducted by the Internal Revenue Service during the September 24, 2008 raid:

- "Coleman set up note agreements, transferred funds, and executes secured promissory notes for these companies. Bob White gives information to Coleman, usually purchase orders from buyers of inventory."
- "Coleman receives the payment of the sale of the goods to Sam's Club, via wire transfer, and then wires funds to the note holders, paying them principal and interest."
- "Coleman sends P/Os [purchase orders] to investors, and the investors decide if they want to loan money."

Debra Lindstrom was Petters' executive assistant from October 1998 through February 2003, at which time she became Coleman's executive administrative assistant. When interviewed by the U.S. Postal Inspection Service during the raid, she did not mention Petters as involved in PCI's day-to-day financial transactions. Instead, her statements included the following:

- "Investors have asked for financial statements. The request for financial statements is sent to Coleman who gives it to White, who usually does the financial statements himself."
- "Coleman would do a 'deal' associated with a promissory note with a PCI purchase order and a vendor purchase order. Coleman then paid the investor's note and attached a new deal, such as $5 million in inventory from Sam's Club, to the paid-off note."

Later, in June 2009, former Polaroid Corporation general counsel Michael Phelps provided a statement to the FBI. He did not mention Petters as involved in fraudulent or suspicious activities.

Petters maintained in court that he was unaware of the fraud until only recently. Recorded phone calls with GE in 2000 helped convince the jury otherwise.

Among the statements he did provide: "[Former Petters tax specialist and finance director] Jim Wehmhoff and Deanna Coleman controlled the checkbook. Coleman had to approve the money . . . She did the deals that brought in the money." He also stated that a day before the raid, Petters had requested that PricewaterhouseCoopers be hired to audit PCI.

Witness statements during Petters' trial were weighed carefully, according to news reports citing jurors after the trial. Perhaps more damning was a lack of evidence to counter what the prosecution was saying—that there was no real business going on with PCI vendors. Investigators sought records and witnesses at those vendor companies who could identify transactions between their company and PCI. Instead, they found witnesses from companies such as Costco who said PCI had stopped doing business with their firms several years ago.

Forensic accountants found no real business had been taking place at PCI for several years. One possible reason was because PCI had used fictitious companies and accepted payments via cashier's checks—diverting moves that assured manufacturers couldn't trace shipments, but also tactics that years later left virtually no accounting trail.

Petters, meanwhile, has a folder filled with documents showing it was Coleman who maintained relationships with inspectors needing access to company warehouses all the way through mid-2008. There also are several e-mails from Reynolds and other associates from 1999 through 2007 talking about specific transactions, inventory being shipped, and other details that make it appear as if real business was taking place at PCI. They're authored by and sent to others, not Petters. When he was brought into a situation, there was a trail of these kinds of conversations behind it, he says, giving him no reason to think that there wasn't actual business taking place.

The Future

Petters remains adamant that others took a legitimate business and turned it into a Ponzi scheme without his knowledge. He is convinced the jury was biased, based on pretrial media coverage and overall public sentiment in 2008–2009 toward financiers. And he insists jurors would have realized Reynolds was driving the fraud if they had known the details of his criminal past: It was revealed that Reynolds was in the federal witness protection program and had a long history of fraud. However, the prosecution was able to keep most of these details out of the trial.

Regardless of Petters' beliefs, in December 2011, the U.S. Court of Appeals for the Eighth Circuit upheld his 2009 conviction, ruling that he was given ample leeway to present his defense, and pretrial publicity was not sufficient to warrant a change of venue. The decision cited instances where the media had quoted Petters' counsel defending him. The court also upheld his sentence of 50 years in prison.

As of press time, Hopeman was working on filing an appeal with the U.S. Supreme Court. Legal experts say there's a slim chance such an appeal will be heard. If it isn't, Petters plans to seek a writ of habeas corpus. And he has more ideas after that, he says.

Even while behind bars for the rest of his life, Tom Petters remains the consummate optimist looking for ways to turn around a situation others have long since written off. **TCB**

'I BELIEVED IT'

For the first time, Tom Petters talks about his life—before, during, and after federal authorities raided his businesses, Petters Companies Inc. (PCI) and Petters Group Worldwide (PGW), in September 2008 and arrested him shortly thereafter. During a five-hour discussion in the visitors' room at the U.S. Penitentiary in Leavenworth, Kansas, he spoke openly about his career, family life, and other subjects, ranging from the murder of his son John, a brutal betrayal of trust, and coping with a 50-year sentence without parole.

Q: Of all the things said about you and your business dealings that you dispute, what are the top three and how, specifically, are they untrue?

A: The first is that I ever masterminded or orchestrated a fraud.

The second is that I was depicted as a gambler who left a $10 million gambling debt in Vegas. A Las Vegas gaming official was quoted as saying something like, "Normally, a guy in a suite like that is a $10 million gambler." That went to "He lost $10 million in Vegas." I didn't. I was a regular corporate customer because of things like the Consumer Electronics Show, which I've been going to since I was a kid. On this occasion, I had gone to Las Vegas specifically on a fact-finding mission. [Longtime business associate] Larry Reynolds lived there and

PHOTOGRAPH BY DALE KURSCHNER

he was supposed to have all the answers. I found out later that wasn't the case.

The third untrue statement is that I stole money to give to charities. This is the most outrageous of all. If, in fact, I knew a major fraud was going on, it made no sense for me to go to great lengths to establish payment arrangements over a 10-year span to make a donation of $10 million to Miami [University] of Ohio in memory of my son John.

Q: In looking at everything so far, I'm wondering whether you would be here today if you had the same type of defense O.J. Simpson had in his first trial. Why did you choose the defense counsel you have?

A: [Before the raid], in addition to an in-house legal team lead by David Baer, I had the Fredrikson and Byron law firm and its resources and lawyers to use for all of our companies. The day after the raid, all of my lawyers quit, and I suddenly had no legal advice. Gone was the assurance from Fredrikson that it would be there for me "as my guardian in the legal community." Baer had quit as well. Most astonishing was that none of them would speak to me or my defense team.

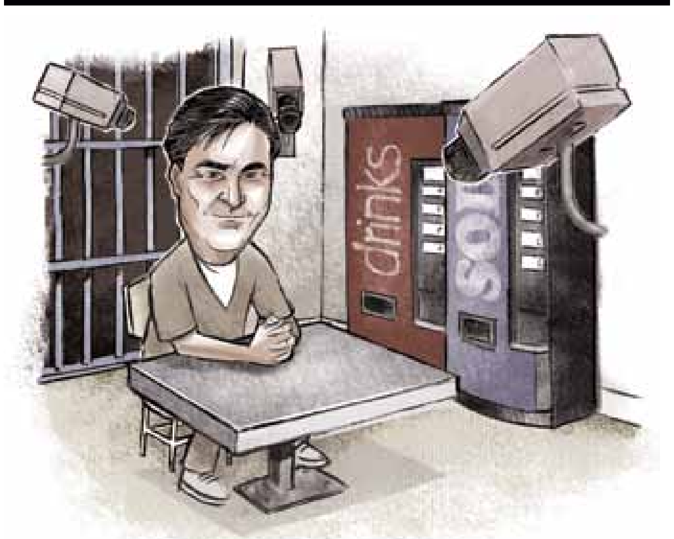
The day after they all quit, a friend brought Jon Hopeman to my office, where it was utter chaos. Hopeman was hired. It is a blur on much of this. On my lawyers, I will say Hopeman, Paul Engh, and Eric Riensche are extremely ethical and talented people. It was overwhelming to go through millions of documents and have your client locked up in a jail cell for all the time before trial. How was I to defend myself? I had no Internet access, and could reach out to no one. All calls are recorded, and I could have no visits other than through a TV screen.

Q: What was it like being Tom Petters—when you were at the top of the game, in the zone?

A: Rewarding and challenging, both at the same time. I enjoyed putting things together and fixing things, selling a closeout, taking a company and trying to put it back together. I was grateful for the good life I had. I had the opportunity to meet five U.S. presidents. I have an incredible amount of gratitude for the people who helped me. I spent 10 days with Muhammad Ali 30 years ago. I also met a lot of great people.

I don't know if I was ever on the top of my game. Most of the time, it seemed I was in the middle of the game. I was closest to being on the top of it when I was able to walk and talk with kids. We had 45 interns in one of the best intern programs in the Twin Cities, from their junior and senior years at college. They were smart, energetic, and interested in our business and making it better.

It was incredibly busy, and there were never enough hours. I couldn't find enough time. Sometimes I'd try to find places to hide, just to get away for a while—Florida, Colorado—and just being on a plane, where people couldn't BlackBerry me.



The sterile visitors' room at the U.S. penitentiary at Leavenworth is monitored by five ceiling cameras and at least one member of the prison staff.

Q: What was it like with your kids before all of this? What did you do together? What did you talk about?

A: My children have been the joy of my life. They were the primary reason why I worked so hard. We are incredibly close, and as busy as I was, I was able to make time for John and Jenny while they were growing up. I went to all their school activities. John was in basketball and Jenny in soccer, and they were in music programs. I was an assistant basketball coach when John was in junior high school. I also taught a CCD class [Confraternity of Christian Doctrine, a religious education program in the Roman Catholic Church] on Wednesday nights at St. Patrick's [Catholic Church in Edina]. I took vacations with them a lot. And I really enjoyed my walks with John and Jenn when they were in college. My kids were a priority. I was looking forward to doing these things with my youngest, Joseph [6] and Nikolas [4]. I love my children and miss them dearly.

Q: How are your children and Tracy Mixon, the mother of your two youngest, holding up through all of this?

A: It has been incredibly hard. They did nothing to deserve this. Jenny has had to deal with losing her brother, and then me [to prison]. Of course this is different than what her two younger brothers have gone through, but they all have suffered greatly. I have only seen my boys and Jenny through a TV monitor at the Sherburne County Jail.

Jenny as a young adult is doing extremely well for all that has happened. I haven't had great communications recently with Tracy. We talked about her and the boys coming here, but for a long time she told them I was overseas, working on my appeal. One day on the phone recently, I had to tell him the truth. It is so unfair for them to lose their father and virtually any means of support. I miss them all very, very much and hope we are reunited soon.

Q: What are your days and weekends like today? What's the routine? What do you look forward to?

A: I look forward to talking with family and friends. I look for the best I can find in any situation. Here, I'm lucky to have e-mail and phone access. I exercise a lot, outside whenever I can, mainly calisthenics, pushups and jumping jacks; I'm not a runner. I'm in a unit where I'm safe. There have been no altercations or arguments with inmates. I go to work each weekday in the education area, doing a class teaching business plans.

I also read a lot, and I'm working hard on legal research. I spend most of my evenings at the law library we have here. I have a very strong faith in God, and I believe the truth will eventually set me free, so I work on strategy to get the truth told.

My father has Parkinson's and my mother has Alzheimer's. Every call with my mom, she asks, "When are you going to be home?" With my little boys, it's "When are we going to see you?" But there are people who have it worse than me.

Q: What's your biggest accomplishment?

A: In my personal life, being a good father to John and Jenny as they grew up. I want to be there for my little boys so badly now. Professionally, it was restarting, saving, and restructuring companies, and saving many jobs.

Q: What was your biggest mistake?

A: Trusting the wrong people and moving way too fast; not checking the truth and veracity of what people told me. I never doubted anything Deanna [Coleman] told me. When I look back from this place now, I should have known it was too good to be true. I wasn't involved in PCI since the mid-1990s, as was portrayed in my trial. That [lack of involvement] was a huge mistake on my part.

Q: Business leaders I've talked with have said they can't believe someone could have not known something like this had been going on for so long. Others point out that it's a CEO's duty to know what's happening financially with his or her own business. How is it that you didn't know about this?

A: I believed it. When I left PCI for Bob White and Deanna to run, it was supposed to be financing deals for other companies. Initially, it did. As I went on to other things beyond PCI, I believed that we were still really moving inventory and making money from it, and that this had become a finance company helping others do the same. And whenever I was called into a situation by one of them, it was a real transaction they needed my help with.

Remember, I was looking at false statements, like everyone else. Bob White testified at my trial that he forged over 10,000 documents. That included my bank statements, financial statements, purchase orders, and more. Over the years, I knew what others knew, that PCI passed muster through various audits that had been done. I was overseeing 50 companies and relied upon a president and chief operating officer, Mary Jeffries; chief legal counsel, David Baer; outside legal counsel, Fredrikson; and our finance and accounting area, led by Jim Wehmhoff. Why is it so hard to believe I couldn't be fooled when everyone else was?

As for CEOs knowing what's going on within their companies, have you looked at the Wall Street banks and the mortgage crisis? Have any of those CEOs been prosecuted? How about $1.4 billion disappearing and nobody can trace it at MF Global? Has the CEO there been charged with anything?

Q: What made you believe you knew enough—and had the right team and resources—to play at the levels of business and finance you eventually played in?

A: My experience in retail management gave me the working knowledge of the business. I knew I needed to know a lot, though. One thing I did was to bring in the brightest minds possible. I tried to bring in top-notch people to cover areas where I wasn't as strong, such as the new CEO we brought in for Fingerhut, Brian Smith, and the CEO we brought in for Sun Country, Stan Gadek. There were many business leaders in the community to talk with. Many professors as well.

That said, we added too much, too quickly, and always had a need for capital. It never rolled up the way it needed to because it was poorly organized. I had some great management and some bad management. But my job was to determine if I could liquidate or turn around assets, not to wonder if I had the right people on my team. I had to trust they were the right people.

Q: Why buy Fingerhut, Polaroid, and Sun Country?

A: Each company had a good strategic and business reason to purchase. All were experiencing financial turbulence for some reason or another. Each situation was unique and entailed making changes, infusing cash, or both. It always takes some time to gain profitability and make a company viable again. I liked fixing things, making them better, and keeping jobs. I fought hard, and gave my heart and soul to keep these companies alive. [See "Petters Group Worldwide," page 37.]

Q: What happened to your son John? How was he murdered?

A: He flew to Italy to visit with friends who were going to school there. After going to a pub one night, he walked into a flower garden in Florence, Italy, with a girl he went to school with. I have a picture of them together taken 5 minutes before he was stabbed. The Italian media at first said he had accidentally trespassed. But what happened was the girl he was with got into an argument with an Italian girl whose father was the caretaker of the park. After they argued, the Italian girl went running into [her] house. The father came out and grabbed the arms of the girl John was with and tried to push her. John got in between the guy and the girl and pushed him into the bushes. The guy got up and stabbed him many times in the chest. John tried to run but was caught in the back of his leg with the knife. About an hour later, an ambulance crew found him on a park bench. He had belted his leg to tourniquet the cut, but he was out of blood by the time they found him. That was the worst day of my life.

I had to go to his killer's trial in Italy in 2005, and there was a week's delay due to an unrelated terrorism scare. It was horrible but I didn't want anyone to see how I was really hurting inside. Joey was born that week. I was dealing with the loss of one son, while another was being born.

When we went to the trial—Italian courtrooms have jail cell–like holding areas for those on trial—this guy was outside of the holding area. The very first day, my Italian legal team told me he wanted to tell me something. I went over to meet with him and he put out his hand to shake mine and said, "I hope you'll forgive me." I put out my hand and found myself forgiving him. I, too, have a daughter and could feel his pain for what happened. I was taught through my faith in God [that] forgiveness is a must, I just didn't think it would come then."

The investigation and trial went on and on. At the peak of the worst time in my life, I asked Deanna how much money we had that could be given to charity without hurting our businesses. She said $40 million. Some of that was donated to charities, some in my son's name. Today, probably the most horrible experience in all of this was donating dollars in your son's memory to a university he loved so much, only to find out that there was fraud behind [the donation].

Q: How did the death of your son affect your work?

A: Prosecutors had the audacity during my trial to say my grief over the loss of my son was insincere. I never dealt with it; I just took on more and more work. I had this feeling since the day he was killed [he pauses to regain his composure] that I'd be letting him down if I didn't succeed. When I think in retrospect how stupid that was. I later read from my jail cell that the fraud ended up going from $300 million in 2004 to possibly $3.5 billion when it ended, while my head was in the ozone layer somewhere. Instead of noticing that was happening, I kept doing more with PGW. More was better, so I didn't have to deal with anything I was feeling.

After John's death, my personal and professional life was on steroids. His death changed my life forever. For a parent who has lost a child, they can understand when I say it was the closest I ever came to thinking I can't go on. Somehow God gave me the strength. But I don't think I dealt with the grief of John's death until I went to prison, where I was forced to stop and grieve.

Q: The media and public quickly turned against you. Who among your closest friends or family members surprised you the most when they turned against you?

A: I was most disappointed in Deanna. I was most surprised by Larry Reynolds [now known as Larry Reservitz]—his past secret name and life of crime. I never knew he was in the witness protection program. I honestly don't know how Deanna and

some of the other people can look themselves in the mirror. I've never been so disappointed in my life.

Q: Why do you think Deanna Coleman turned on you?

A: Fear. If you had all of this happen and believed it was going to collapse, you'd be looking for a way out, too. In the beginning, with false purchase orders, she understood what they were. In 2004, she wrote letters to me saying she was concerned about what was happening, and they showed up in court. But I never saw those letters. I remember back then, one night she was upset, crying, and I asked her what it was about and she said it was about her marriage. But I think now it was about PCI.

Q: If you were out walking in Excelsior and ran into her, what would you say or do?

A: I'd just say, "Why?" I have dreamed three or four times about her, where she's running the company and the offices are sealed, or where I keep trying to talk with her and she keeps running away from me. I would ask to hear the real truth directly of how all this happened. I'd let her know that I have worked hard to forgive her. And I'd ask, "Why didn't you at least tell the FBI years ago, or pull our lawyers aside and say, 'Look, I don't know how to tell you this but there's a fraud going on here?'" They could have come to me about it.

Q: Who has remained loyal to you?

A: My family, some very dear friends, and many former employees.

Q: Who did you end up hurting the most?

A: My middle name was relationships and trust. All the people who trusted me I let down with not knowing more about what was going on. I felt the worst about my family and friends and employees.

I also feel terrible about those investors who invested through Frank Vennes or hedge funds. I never solicited their money for this fraud. Many of those who took peoples' money and invested it in the PCI fraud, I believe knew they were not putting their clients' money in a safe investment. However, I feel horrible that I didn't catch it and stop it. I have remorse beyond any words can tell you. I am so sorry for anyone who lost their money from this.

Q: Can you look me straight in the eye and honestly say you're not guilty?

A: Yes; not a day went by in which I ever knowingly defrauded anyone. What I am guilty of is pushing hard to keep my business alive. But I did not steal anyone's money, nor did I deceive or defraud anyone.

Q: What evidence is there to support your claims that you're innocent—that you didn't know this was happening until 2008, and by the time you were just about to correct it, you were raided?

A: There is much I cannot say. I expect to get back in court and at the advice of my lawyers, I will refrain from saying much here. However, the following points are already of public record:

One of my PGW attorneys said in a government witness statement that I held a meeting before the raid asking for an external auditor to investigate.

Why would I invite Fortress in to buy all the accounts receivable if I thought this was all a fraud?

Why did Bob and Deanna set up Onka Funding on their own? All other corporations were done by my legal counsel. This is the private corporation they funneled millions into for their personal use. If I was involved, why did they need Onka? Why did they have personal credit cards for it? Why did I not sign tax returns for Onka or ever see them when I had to sign for all the other companies?

There is no evidence I hid cash anywhere. A so-called fraudster usually plans his crime ahead of time. Can the others honestly say they hid no cash or assets? I had no reason to; I never knew a fraud was taking place.

Why am I not included in hundreds of e-mails and communications with the hedge funds and my lawyers over a span of many, many years regarding PCI funding?

How could a new company attorney I had for only a week quit, talk to the media, and badmouth his own client so badly only a day or two after taking over as the receiver and continuing all the way to my trial and beyond? He did this before I was ever found guilty in court.

And Frank Vennes' indictment states I told him some of the paper in PCI is compromised. At my trial the government said I told no one about it.

Those are just a few to begin with.

Q: When did you start to hear about "bad paper"?

A: Late in 2007 I was led to believe we purchased some bad accounts receivables—deals other companies did that we financed. That later turned out to be a lie. In addition, I was told the very people we financed had sold too much inventory to Costco and Wal-Mart for diverting, and there was a gray area on whether we would end up being the recipient of many canceled orders and having to go through the lengthy process of suing or selling inventory, or we could patiently wait.

In July it got really bad. That's when Bob told me that 20 percent to 30 percent of our paper was bad. And I asked if that's so, why are we not getting paid in the deals that were not bad?

Q: What did you do in 2008 to try to stop all of this? What was being discussed while Coleman secretly recorded your conversations that September?

A: I delayed bringing in an outside auditor because of Deanna and Larry Reynolds. He told me he knew of a good forensic accountant who could help us figure things out and said I shouldn't trust my own attorneys and accountants until an independent expert could help sort our where the problem was. He also said I shouldn't trust Bob, and needed to calm Deanna down. That's part of the reason why I say some of the things I do in the recordings. [See "The Unraveling," page 40.]

Deanna and Bob were combative, elusive, evasive, and strange those last three weeks, especially her. In those recordings, when Deanna and I were talking about purchase orders, I meant it as "You need to get out there and find out what's really going on [in Vegas]"—more of what she used to do, not sitting here writing up fake purchase orders. I meant it as "You need to find out what's going on, where is all the cash? All of my companies are in trouble at the same time."

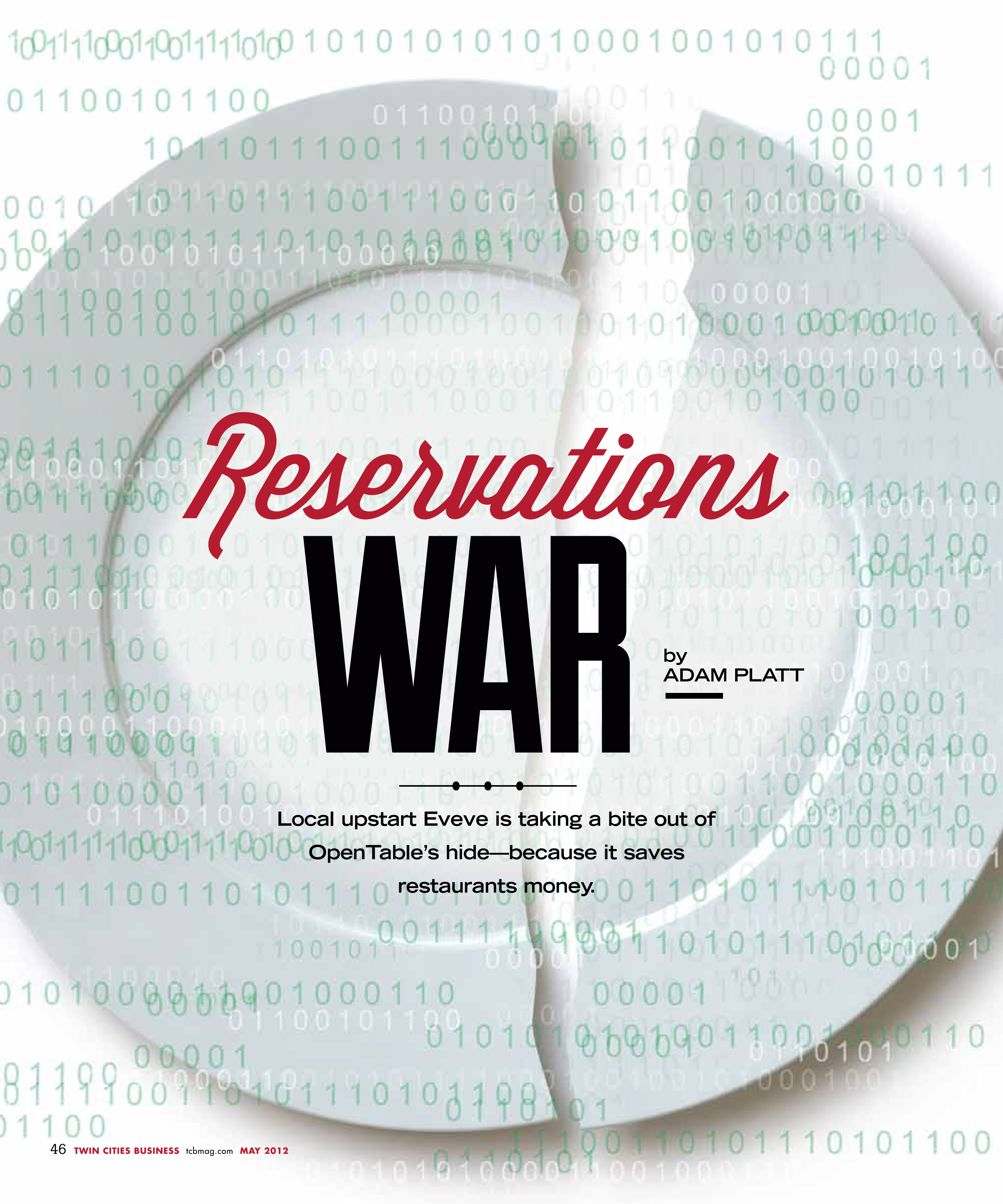
When I would say things like "This is fraud," it was out of "How do we fix this?" It was a huge concern on my part, and I didn't want to see anyone get hurt. Their recordings included video. If they would have run those videos during the trial, the jury would have seen my facial expressions. I was confused.

Q: Given what's been discovered about your business associates, why did you get into bed with these guys?

A: I didn't. They snuck in with me. Unfortunately, I guess I was sleeping when it came to looking at what was happening.

Q: What if you don't win your appeal?

A: My faith in God gets me through all this. I'll never give up. My vindication will come from the courts and whatever I do with my life from here. If the appeal does not go through, I'm confident my habeas corpus filing will give me a new trial. The truth is the very fabric of our judicial system. I believe eventually it will come out and it will set me free. TCB



Reservations WAR

by
ADAM PLATT

Local upstart Eveve is taking a bite out of OpenTable's hide—because it saves restaurants money.

A year after Eveve Software decided to make the Twin Cities its first American beachhead, a **full-fledged war has broken out over how restaurants take reservations.**

Hell's Kitchen—one of the highest-volume restaurants in the Twin Cities—has seen no drop in business, post-OpenTable.

Over the last decade, San Francisco-based OpenTable Inc. has grown to dominate the restaurant reservations business, its ubiquitous computer terminals perched at host stands in thousands of American restaurants.

We have grown accustomed to making reservations online, day or night, using OpenTable's customizable Web interface to find restaurants at a certain time or in a certain neighborhood, on long or short notice. Business travelers rely on OpenTable's ratings and geographic groupings to make finding a meal easier on the road.

But that convenience comes at a cost to restaurants. Mark Pastore, of San Francisco's lauded Incanto restaurant, publicly accused OpenTable of a fee structure that sucked most of the profitability out of small restaurants. He called on the marketplace to create competition that would alter OpenTable's defacto monopoly. (OpenTable has always had competitors, but restaurateurs say few have been able to offer a product that duplicates OpenTable's suite of restaurant operations and marketing software.)

Into that breach last year stepped Eveve, a Scotland-based software company that selected the Twin Cities to be its first U.S. market. It entered with a splash, pulling eight of OpenTable's top 10 Twin Cities restaurants (in booking volume), the five largest representing 20,000 diners a month, says Tim Ryan, Eveve director and president of U.S. operations. As of press time, the privately held Eveve boasted 46 Twin Cities clients (43 are former OpenTable members), while OpenTable's Web interface offers 224 restaurants. (OpenTable debuted in the Twin Cities in 2004.)

"We saw the Twin Cities as representative of a typical U.S. city," says Ryan. "If we could prove it here, it might work anywhere." Ryan also says he believes the Twin Cities were at or near the top of OpenTable cities in revenue per restaurant, meaning the savings Eveve could offer would be compelling.

The Cost of Reservations

Eveve (pronounced *eh-VEEV*) targeted OpenTable's highest-volume restaurants in the Twin Cities, Hell's Kitchen and Bar La Grassa, both in Minneapolis. They are restaurants with little in common, except that they were paying OpenTable several thousand dollars each month and are now paying Eveve a flat $200. (Eveve's flat-fee structure is based on the size of a restaurant, and currently runs from $200 to $500 a month, says Ryan.)

La Grassa, which serves dinner only and fills eight weeks out on weekends, was booking more than half its diners with OpenTable. "We had a fair number of regulars booking through OpenTable," says partner Nancy St. Pierre.

"OpenTable consistently had us and Bar La Grassa as the most booked restaurants in the Twin Cities," says Hell's Kitchen co-owner Cynthia Gerdes. "And we were keeping half our tables open for walk-ins."

What Eveve and OpenTable offer restaurants is similar, say restaurateurs, but what they offer the consumer is radically different. Eveve exists to serve restaurants. It offers a reservations widget on a restaurant's website. There is no way to see another restaurant's availability. This opacity is a selling point, as Eveve never steers a diner to a competitor.

"[OpenTable's] theory is that every diner is exogenous," Eveve's Ryan explains. "And they wouldn't dine with you without [OpenTable]. In fact, OpenTable was probably cannibalizing Bar La Grassa's customers, redistributing them to other restaurants," when they saw no tables available.

But the motivation for most OpenTable defectors has been cost, pure and simple. OpenTable's fee structure bills restaurants for its service (a function of how many computers a restaurant has operating the OpenTable system) and for diner reservations. It also bills a restaurant for every diner seated via a reservation. The fees are a function of how a diner books. Bookings that come through a restaurant's website into the OpenTable system are charged at 25 cents per head. Bookings that come through the OpenTable.com site price at $1 a head. (OpenTable's frequent-diner program offers points only to diners who book through Opentable.com, which is in essence funded by the $1 reservations.)

Profitability Killer?

The lower a restaurant's price point, the more OpenTable cuts into profitability. "If your guest check average is $12, and you take $1 off the top, there's not much left in an industry that averages a 4 percent profit margin," explains Stephanie Shimp, co-owner of the Blue Plate Restaurant Company (The Lowry and the Highland Grill, among others), which switched from OpenTable to Eveve at its Scusi restaurant in St. Paul.

OpenTable says the average diner who uses the service spends $42.50 on a meal. Its data indicate that most restaurants need add only 5 percent to revenue to cover all costs related to OpenTable. But most restaurants that have left OpenTable that *TCB* spoke with (Bar La Grassa, Hell's Kitchen, Barrio Restaurant Group, Blue Plate Restaurant Company, W.A. Frost & Company) say they are skeptical that OpenTable brought them incremental business after seeing no decline in customer counts after leaving.

"That's the question," says Bob Crew, general manager of W.A. Frost. "Are you going to lose business if you're off their network, or were they actually steering customers away?"

The calculus for restaurateurs is certainly murky: what percentage of $1 reservations that come through the OpenTable site would have gone to a competitor had the restaurant not been an OpenTable client? Eveve's Ryan says restaurants best suited to OpenTable's network are ones that derive a lot of reservations from last-minute bookers searching by time or location. Restaurants such as Bar La Grassa and Scusi, which book up in advance and don't always have same-evening availability, were paying OpenTable for customers who were coming to eat there anyway, he thinks.

"[OpenTable] tells you they're filling your 5 p.m. and 8:30 p.m. tables," says Scusi's Shimp, "but you have to look at your data. If the names on it are regulars," then OpenTable's assertion doesn't stand up, she says.

Hell's Kitchen, though, fits Ryan's definition of a restaurant that should benefit from OpenTable. "I planned for a loss of 50 percent of my online reservation business. We could sustain that and still break even on the switch [to Eveve]," says Gerdes. "If anything, our business has only been up. I'm really incredulous over it."

OpenTable Fights Back

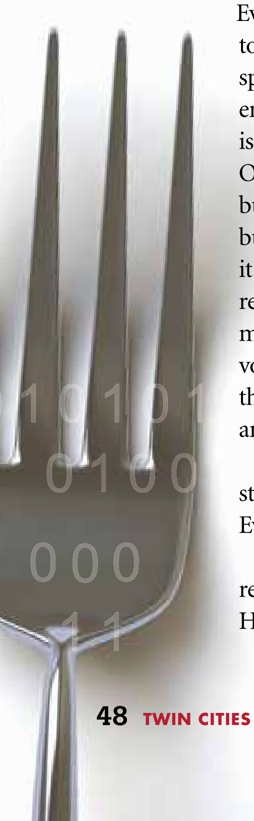
OpenTable has made concessions to maintain its customer base. The proprietors of Atlas Grill in downtown Minneapolis left OpenTable's web interface in January, allowing bookings only through atlasgrill.com. Ultimately, they returned after seeing a significant drop in reservations, but a smaller drop in customer counts. "As Valentine's Day approached, we felt we had to be back on Opentable.com," says manager Ken Cole.

Top 10 Independent Restaurants By Reservation Volume *

1/ Hell's Kitchen	Eveve
2/ Bar LaGrassa	Eveve
3/ Meritage	Eveve
4/ Zelo	Eveve
5/ Seven Sushi	OT
6/ Bachelor Farmer	OT
7/ Bacio	Eveve
8/ Jax Cafe	Eveve
9/ W.A. Frost	Eveve, back to OT
10/ Vincent	Eveve

(*Eveve estimate)

A handful of restaurants that migrated to Eveve have ultimately returned to OpenTable; of those, most spent just weeks with Eveve and encountered integration or training issues. W.A. Frost went back to OpenTable after several months, but not because it was losing business. "The software was glitchy; it was not designed for American restaurants," says Crew. "It needed more customization for a high-volume restaurant like ours, and they were open to it, but we found they could not move quickly enough and just did not have enough people to support us."



Crew says when Frost returned to OpenTable it did so at a rate structure more favorable than when it left, but still more expensive than Eveve.

OpenTable has retained more than three-quarters of its local restaurant accounts, including heavy hitters Crave, Parasole Restaurant Holdings, and D'Amico & Partners.

The OpenTable seating interface in action at a local restaurant.

Parasole was a big fish Eveve wanted. Ryan says the company told him it was spending as much as a quarter of a million dollars a year with OpenTable, spread out over its 12 restaurants. Kip Clayton, Parasole vice president of marketing, says he was intrigued by Eveve, but felt the risks of leaving OpenTable were too great. "If 10 percent of your customers go bye-bye, you're screwed," he quips. "OpenTable is a loyalty program to begin with. Business travelers are focused on booking through it, whether your restaurant is there or not."

Clayton says 25 to 30 percent of Parasole diners make reservations, and the company is trying to steer more of them to the Parasole website to book at OpenTable's 25-cent rate. As for the $1-per-head bookings, "they are truly opaque. You don't really know how you get them or if you would have gotten them without the OpenTable website." Parasole's hotel-based Manny's Steakhouse, with a per-diner dinner check average of $90, has no trouble disgorging $1 to OpenTable for each customer. Parasole's Good Earth, averaging $12 per diner, probably doesn't break even on OpenTable bookings, but they represent only 5 percent of the restaurant's overall customers.

"No head of IT ever got fired for going to IBM," Clayton says, of the decision to stay with OpenTable. He believes the competitive pressure OpenTable faces locally has changed its sensitivity to pricing concerns. "If you're in a monopolistic situation, you will see monopolistic pricing and profits," he says. "But nobody wants to seat diners at $1 a head, and OpenTable has worked very closely with us to save us money. They know if it isn't Eveve that displaces them, it will be someone else."

OpenTable aggressively tried to hold onto its other restaurants as well. Hell's Kitchen, Bar La Grassa, and Blue Plate say OpenTable offered them a modified pricing structure and perks like free iPads, in exchange for staying with the service. The pricing was contingent on the restaurants keeping the details confidential.

"It kind of bothered us," says Scusi's Shimp. "I mean, why didn't they offer it to us from the beginning?"

OpenTable defends its position and pricing as justified by new diners the service reels in from its website and frequent guest program. It believes no competitor has duplicated OpenTable's database and operational functions, says OpenTable's Senior Vice President of Marketing Ann Shepherd, a statement echoed by W.A. Frost's Bob Crew. (It's worth noting that OpenTable's technology allows guests to cancel and modify reservations, while Eveve's does not.)

"It's not fair to talk about cost without discussing value," Shepherd says. She believes Bar La Grassa's experience is atypical, and says research shows most $1-a-head diners had not chosen a restaurant when they arrived at OpenTable's website. She says Eveve has prompted no fundamental change in OpenTable's strategy or pricing structure, and the company notes Eveve is far from its biggest competitor.

After using the Twin Cities as its springboard, Eveve has been receiving inquiries and opening markets in other states. Ryan says Eveve will likely keep its support and administrative functions in the Twin Cities for the long haul. While it has not dislodged OpenTable from its dominant position, it has taken some of its most profitable accounts and believes it is handling 39 percent of all the online reservations in the Twin Cities, representing 45,000 diners per month. It would seem to have the potential to be a thorn in OpenTable's bottom-line across the rest of the country as well. **TCB**

Adam Platt is TCB*'s executive editor.*

RESPONSIBLY GLOBAL

This year's International Citizen Awards honorees have embarked on socially conscious initiatives.

BY NATALEEYA BOSS

Every year for the past two decades, the Minneapolis-based International Leadership Institute has recognized outstanding Minnesotans for their role on the international stage. The Twin Cities International Citizen Awards honor Twin Citians whose work has contributed significantly to international understanding, cooperation, friendship, and development.

This year's honorees include a Jamaican-born horticultural expert who has found success as an entrepreneur in Minnesota, a global adventurer striving to share the world's best-kept secrets, and a local coffee giant that is giving back to communities worldwide.

The awards are presented in three categories: The International Immigrant Achievement Award is granted to a Minnesotan born overseas, the International Citizen Award honors a U.S.-born citizen, and the International Corporate Award recognizes a Minnesota-based company. Nominations may be submitted by any Minnesotan.

The International Leadership Institute (ILI) is a nonprofit headed by founder and president LaJune Lange, a longtime Hennepin County judge who retired from the bench in 2006. The organization partners with non-U.S. groups to strengthen democratic governance and develop infrastructure and education projects worldwide. "The ILI is pleased to recognize the work of this outstanding group of award winners," Lange says. "Each one has an extraordinary story to tell. Yet all of them are working to improve the lives of others. Making a positive difference is what ILI looks for."

INTERNATIONAL IMMIGRANT ACHIEVEMENT AWARD

Lawford Baxter

Founder and CEO, Cut Fruit Express

Lawford Baxter recalls spending hours in the fields of his native Jamaica as a child, helping his parents cultivate coffee, cocoa, oranges, and whatever else they grew. "I had no choice," Baxter says, chuckling. "I was required to help out."

Lawford Baxter

Baxter took that agricultural experience and moved to the United States in 1980 to study plant and soil sciences at Tuskegee University in Alabama, where he earned his undergrad degree. In 1982, he came to Minneapolis to study horticulture at the University of Minnesota, where earned a master's degree and a PhD.

Baxter then held research positions at several food-related companies in Delaware, Chicago, and California before moving back to Minnesota in 1997. A year later, he founded Cut Fruit Express, a fresh fruit and vegetable supplier now based in Inver Grove Heights. The company started out with 10 employees; it now has about 60.

"I understood how fresh produce behaves after you peel, cut, slice, or dice it, and how you can manipulate it to increase its shelf life," Baxter says. "And I realized that at the time, the industry was in its infancy."

Cut Fruit buys fresh produce from farmers in California, Texas, Mexico, Costa Rica, Chile, and other parts of the world. The company's scientists—Baxter and one other employee—determine the kind of packaging required to keep different types of cut produce fresh and provide the specifications to a packaging company. Cut Fruit then sells these cut fruits and vegetables to retailers such as Lunds and Byerly's, as well as to distributors, including H. Brooks and Company, US Foods, and Upper Lakes Foods, that deliver them to restaurants and grocery stores. The company serves customers in Minnesota, Wisconsin, Iowa, North and South Dakota, and Nebraska.

Baxter says that after it was launched, the company took off instantly, growing more than 230 percent in its first three years in terms of sales. He adds that this was because only a handful of similar companies existed at the time.

"A company in California couldn't compete with us in our market for some items," Baxter explains. "For example, they can't cut a strawberry, dip it in chocolate, and send it out here. It will fall apart before it gets here."

Hyon Kim, owner of Hopkins-based technical consulting firm MN Best, says that Baxter's company's success represents only part of his achievements. She says that Baxter has worked hard to improve the lives of his employees, about 85 percent of whom are immigrants themselves. Baxter provides homebuying assistance to his employees and postsecondary education assistance for their children. He also offers about two-and-a-quarter acres of Cut Fruit's property—plus water and gardening know-how—to his employees for planting and harvesting their own fruits and vegetables. Baxter says it boosts employee morale, helps them eat healthy, and allows immigrant employees to grow produce native to their home countries.

Cut Fruit Express is also a sponsor of Project Sweetie Pie, a North Minneapolis organization that helps young people grow their own fruits and vegetables at community gardens, providing kids with improved nutrition and the opportunity to sell the produce that they grow. In addition to monetary contributions to the organization, Baxter helps the kids prepare the land for cultivation and assists with technical gardening issues. "It is amazing how much he has done for these kids," Kim says. "He's like a Buddha."

Baxter himself is more modest about his contributions. "I have benefited greatly from the community, and I think I almost have a duty to reciprocate," he says.

INTERNATIONAL CITIZEN AWARD

Dan Buettner

Explorer, writer, and founder of Blue Zones

Dan Buettner has spent much of his life traveling the world, bicycling thousands of miles across Africa, Asia, the Americas, and beyond. And he has always made a point of bringing something back from his journeys—not trinkets and mementos, but ways of seeing the world that he can share with others.

The St. Paul native's love of travel developed back in the mid-1960s, when as a kid he sold *Star Tribune* subscriptions door-to-door. Buettner was so successful at his job that the newspaper rewarded him with free trips to places like the Caribbean islands.

A couple of years after graduating from the University of St. Thomas in 1983, Buettner planned a bike trip and set a Guinness world record by cycling 15,500 miles from Alaska to Argentina. Buettner says the accomplishment gave him not only the adventure he craved, but also the opportunity to share his stories through the public speaking circuit. During the next few years, he pedaled his bicycle an estimated 100,000-plus miles across six continents, set two more Guinness records, and won an Emmy for a travel documentary.

Dan Buettner

In 1996, using satellite technology and via a CNN partnership, Buettner began transmitting videos and stories from his travels into school classrooms. Two years later, he launched a company called Earthtreks to support that effort. He sold Earthtreks to a private equity firm in 1997.

Buettner is currently leading Blue Zones, a research project that he started in 2003 and whose backers have included *National Geographic*, the National Institute on Aging, and the University of Minnesota. Buettner and his team of researchers look for the globe's "blue zones"—countries or societies with life expectancies of about 100 years. The team strives to learn these communities' life-prolonging habits through dietary and lifestyle surveys and by interviewing historians, anthropologists, dietitians, geneticists, and centenarians themselves. The team has so far uncovered five such zones—Okinawa, Japan; Sardinia, Italy; Loma Linda, California; Nicoya, Costa Rica; and Ikaria, Greece.

Buettner has shared the project's findings through DVDs, magazine articles, TV appearances (including *Oprah*, *Good Morning America*, and *Anderson Cooper 360*), and books, including *The Blue Zones: Lessons for Living Longer From the People Who've Lived the Longest*. "What we have found is that forcing people to diet and exercise doesn't work," Buettner says. "We need to change people's everyday environments in ways that encourage a healthier lifestyle."

The project has also partnered with cities, including Albert Lea, to implement "town-wide makeovers"—laying out new sidewalks, building more recreational paths, encouraging schools to ban snacking in hallways, and urging restaurants to offer healthy options.

Coventry Cowens, assistant director of multicultural and international programs and services at St. Catherine University, nominated Buettner for the award. "He always tries to dig into the communities and has always shared what he learned from his travels," Cowens says. "With his help, adults in America are thinking about how people in other parts of the world eat and live long and healthy."

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INTERNATIONAL CORPORATE AWARD

Caribou Coffee Company, Inc.

During the past 20 years, Brooklyn Center–based Caribou Coffee has grown from a small shop in Edina to a global coffeehouse chain with more than 6,000 employees and $283 million in revenues. It is the second-largest coffee retailer in the country in terms of number of stores, with more than 500 locations in 20 states and the District of Columbia, plus about 95 stores outside the United States.

But Caribou hasn't just sought to do well—it also seeks to do well by the planet. Caribou CEO Mike Tattersfield says the company continually strives to closely knit together its business and social practices. Caribou Coffee carries out the bulk of its social responsibility initiatives in the communities that it buys its coffee from—mostly in Third World countries in equatorial regions. It helps these communities build clinics, finances schools, invests in reforestation efforts, and supports clean-water programs.

Tattersfield says that investing in its coffee-growing partners helps Caribou ensure that these farmers are cultivating and selling quality coffee. "We have to think about the long-term footprint of what we do," he adds. "Ultimately, our coffee and the products that we sell have to be the best in class."

Earlier this year, the company announced that 100 percent of its coffee and espresso beans are now sourced from farms certified by the Rainforest Alliance, an environmental group that sets standards to guide farms in sustainable agriculture practices, including water conservation, protecting wildlife, and minimal chemical use. Caribou has been buying Rainforest Alliance–certified coffee since 2003.

Mike Tattersfield

Rashid Omar, founder and CEO of Minneapolis-based Medina Realty and a native of Somalia, says that it was the company's efforts in educating East African farmers water conservation practices that got his attention. "Farmers in these countries really have a great need for clean water," Omar says. "Caribou has played a large part in supporting and sustaining the production of coffee in that region."

In addition to its efforts overseas, Caribou has also made commitments to social responsibility and sustainability in the United States. All of Caribou's bottled water and mints are produced by Project 7, a social enterprise that donates to causes such as feeding the hungry, healing the sick, providing housing to the homeless, and giving back to the Earth.

Tattersfield says initiatives like these help build the Caribou brand and image: "We learned that if Caribou continues to really push on becoming a cultural icon, it ultimately helps the business." **TCB**

Nataleeya Boss is TCB*'s assistant editor for research.*

TROPHY ROOMS

Four award-winning projects from local luxury-home builders and remodelers.

By Mary Connor

In "Trophy Rooms," we highlight Twin Cities residential building and remodeling projects that have won awards recently. This month, we highlight three remodeling projects and a newly built home with clean lines and thoughtful details. The builders and designers offer spaces with both contemporary appeal and classic charm.

Judging the Best

"Trophy Rooms" includes winners from these programs:

American Society of Interior Designers Minnesota Awards 2011—recognizing outstanding interior design by the members of the ASID organization (**asidmn.org**)

Remodeler of Merit Award (ROMA)—presented by the Builders Association of the Twin Cities (**batconline.org**) to its members to honor outstanding work.

Reggie Award—also presented by the Builders Association in conjunction with the Parade of Homes Fall Showcase, recognizing the best new Parade homes of the participating builders.

From Ranch to Resplendent

Award: 2011 ROMA Award
Category: Exterior Remodel
Honoree: Warren Home Restorations, Inc., Excelsior

The owners of a 1970s-era ranch-style home, situated on a lake in Chanhassen, wanted to renovate the dated exterior into something inviting and graceful. Warren Home Restorations built over the existing roof, giving the structure more height and improving attic ventilation. The renovation expanded the home's living area in key locations, and created visual interest with gables, columns, brackets, and copper roof details. The existing stone was incorporated into the new design, per the homeowners' request. A newly roofed porch facing the lake includes retractable screens. Its octagonal shape blends with the existing curved staircase and adjacent landscape waterfall.

Fresh and French

Award: ASID Minnesota 2011
Category: Residential—Kitchen Under 300 Square Feet
Honoree: Pappas Design, Golden Valley

Pappas Design, with architect Richard Laffin and Coon Rapids–based Fey Construction, Inc., transformed a Minneapolis home's drab kitchen into a space with a French feel. Design-firm owner Mary Jane Pappas says the homeowner couple wanted a functional space (she's a cook) with access to the backyard (he's a gardener). With a 12-foot addition, the room became large enough to include a dining area. A barrel-vaulted alcove flanked with shelves, French doors to the terrace, and two new skylights bring in light and air. A marble tile backsplash, Cambria countertops, a mahogany island with a butcher-block top, painted cabinets, and porcelain flooring in white, earth brown, and gray tones keep the design simple and classic.

Inspirational Space

Award: 2011 ROMA Award
Category: Basement Under 1,000 Square Feet
Honoree: Finished Basement Company, Maple Grove

A raw, unfinished lower level became a combination studio, gallery, and office for an artist's home in Minnetonka. Finished Basement Company created a curve-filled space inspired by a wall hanging (at right, nearest the inside corner) made by the artist. The dramatic, interlocking circles on the ceiling were built on the floor out of plywood and framing, and then lifted into place; they also serve to hide heating and cooling equipment and structural beams. The entrance area features curved walls fitted with flat doors, which required creative trim work. Because the space serves as both a studio and a place to have public showings, it was designed with a large closet in which materials could be easily put away.

Classic Charm

Award: 2011 Reggie Award
Category: $1,000,000 to $1,999,999
Honoree: Charles Cudd DeNovo, LLC, Plymouth

Charles Cudd DeNovo was commissioned to build a luxury home in Edina; the result is a stately structure that looks like it was built in another era. The classic architecture is enhanced by the stone exterior. The homeowners chose Martha O'Hara Interiors, a design firm based in St. Louis Park, to come up with elements to enhance the custom millwork and cabinetry and large bay windows. The rooms are dominated by light, muted colors, but punctuated with dark accents. The open kitchen is primarily white, but is accented by the dark brown countertop of the enormous center island. And dark brown floor-to-ceiling vanities provide a counterpoint to the light marble floors and sunny windows in the master bath. **TCB**

Robin Dunbar (left) and Carolyn Perron facilitate Ecumen's Velocity leadership-mentoring program.

LEARNING TO GET THINGS DONE

The case for mentors in leadership development.

By Jack Gordon

Shortly after enrolling in the MBA program at Bethel University in St. Paul, every student is paired with a mentor, usually a retired executive or a career-development specialist. Each pair will meet up to six times before the student graduates.

What are the mentors for, exactly? What do they bring to the table that can't be gotten from other educational strategies? Talk about mentoring relationships can get a little gooey, but Duncan McCampbell, Bethel's MBA program director, offers an unsentimental answer.

The mentors are there "because we're trying to graduate promotable people," he says.

"When we went out and asked Twin Cities executives what they wanted in an MBA graduate, they told us they wanted people who could get things done," McCampbell says. "They said, in effect, 'Don't send us more smart people; we have plenty of those. Send us people who know how to get things done in a large, complex, fast-moving organization.'"

That requires know-how that doesn't come from advanced finance courses, McCampbell continues: "It's about having organizational-navigation capability. There are lots of people who've had business training but still don't understand how an organization makes decisions, how it picks winners and losers, how it really functions."

A lot of those rules are unwritten, but a person has to understand them in order to move up in a corporate hierarchy and get things done on a wider scale. A mentor can play several roles, but McCampbell says that a primary one is to instill that ability to navigate.

"A mentor isn't there to make you a better marketer or a better finance guy. We have courses for that," he says. "The mentor's job is to help you succeed in your organization and in your life."

It would be too simplistic to say that this boils down to teaching corporate politics, though that is part of what "navigation" means. Kim Vappie is CEO of Mentium, a Minneapolis consulting firm that designs and helps manage formal mentoring programs, both within client companies and among different companies. "Cross-company" mentoring works, she says, because while organizations "tend to think they're unique," the fact is that experienced leaders from one company generally have seen many of the common issues that arise in another.

"The same kinds of things come up in every organization, and you have to figure out how to navigate them," Vappie says. "How do I manage my manager? What do I do if my manager is a roadblock? How do I gain resources or funds to do what I think is important?

PHOTOGRAPH BY TRAVIS ANDERSON

How do I gain influence over a decision that impacts me? How do I pinpoint the motivations of different players?"

The Next Step

Formal mentoring programs, in which pairs are assigned by an organization, come in many shapes and sizes—including arrangements that don't involve pairs at all because a single mentor is given not one but several mentees. Regardless of their format, however, most formal programs are designed for people who have been recently promoted or are being groomed for promotion.

Golden Valley–based food giant General Mills has a number of formal mentoring programs in place. Many are for people transitioning to a higher level of management. The reason, says Chief Learning Officer Kevin Wilde, is because a mentor can make a person a better boss, and "we believe in having great bosses."

In some business units, for instance, an experienced manager is automatically assigned as a mentor to every first-time manager promoted from the ranks to a supervisory position. "Our leadership institute can give you all the training in the world, but there is nothing like a positive role model to guide you," Wilde says.

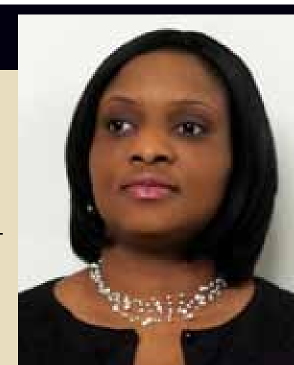
Another program may kick in when a female or minority person at the director level is ready to take the next step up, to vice president. In an arrangement called executive co-mentoring, one of the top 25 executives in the company is assigned to the director for 18 months as a mentor. Both parties have specific learning goals—hence, "co-mentoring."

> **"There is nothing like a positive role model to guide you."**

Anyone who becomes a divisional president is assigned a more senior divisional president as a mentor, Wilde says. Likewise, many employees brought from outside the company into a middle or senior management role get a mentor.

In every case, Wilde says, "what a mentor helps facilitate is how to become a bigger, better leader: What does it mean to become a division president for the first time? What does it mean to become a CFO?"

TO THINE OWN SELF...



Del Newman

The best thing Del Newman got from a mentor was permission to be herself.

Newman is an immigrant from the West African nation of Ghana. She has lived in the United States for 12 years. After attending college at St. Catherine University and picking up a master's degree from Hamline University in St. Paul, she went to work for Ecolab, where she now is a senior marketing communications specialist.

Last year, Ecolab selected Newman as a high-potential employee, to participate in a leadership development program run in part by Minneapolis-based Menttium. For a year, Newman met regularly, online, with a peer group from various companies across the United States. She also had regular online meetings with a mentor, a senior information-technology executive in Texas.

Her mentor gave Newman a lot of helpful career-planning advice, she says, but the most valuable was this: "He told me, 'Just be your authentic self. You don't have to fit into a mold.' I had a complex about my accent [and was uncomfortable talking in meetings]. I felt that I had to be more American and speak more American . . . . He said, 'Your authentic self has taken you where you are now. Don't worry so much about being misunderstood. Just be who you are at work.'"

Newman's current job is not a management position but it is the result of a promotion at Ecolab last November, while she was in the program. She went through six interviews to get the job. "I had to talk to a lot of people and really communicate what I would bring to the table," she says, "instead of worrying about my accent." *—J. G.*

As contributors to leadership development, mentors have two basic virtues, Wilde says. First, a mentor can "accelerate growth." If a person needs to grow into a new leadership role, "learning from someone who has been down the path accelerates it."

Second, by planting mentoring relationships throughout the company, General Mills promotes collaboration across organizational boundaries. People in different business units know, trust, and have access to one another. "Down the road, our executives are better at getting things done with other divisions because the relationships are there," Wilde says. "[For instance,] consumer insights can move more easily from one division to another."

Who Do You Know?

The connections built between senior leaders and people in the field have been a "priceless side effect" of a mentoring program at Shoreview-based nonprofit Ecumen, says the company's vice president of human resources Robin Dunbar. Ecumen provides housing and services to elderly people.

The three-year old mentoring initiative runs as part of a leadership-development program for about 25 employees each year who have the potential to step into higher-level roles in the organization. Volunteer mentors from the senior management ranks each are assigned four or five participants as mentees. They serve as guides, role models, and navigational experts.

> If a person needs to grow into a new leadership role, **"learning from someone who has been down the path accelerates it."**

The priceless side effect comes in because Ecumen's 4,000 employees are spread among more than 70 senior housing facilities in Minnesota and surrounding states, from independent-living communities to nursing centers. "There are not a lot of opportunities for people to connect with each other," Dunbar says. Thanks to the mentoring program, Ecumen now has a number of lower-level leaders who don't hesitate to ask direct questions or to speak the truth to someone in senior management. "If we're doing something new and they have concerns, they feel comfortable to call someone high up in the organization," she says.

The simple possibility of expanding one's professional network, whether upward in one's own company or into other organizations, is a commonly cited benefit of having a mentor. In the second year of a two-year MBA program at the University of St. Thomas's Opus College of Business in Minneapolis, students are offered a volunteer mentor, usually drawn from the alumni ranks, matched to the type of career or organization that interests them.

"Often a mentor will introduce the mentee to a couple of people in [the mentor's] network, who can offer different perspectives," says LaBarre Spence, a career specialist at the college. Those people can become valuable contacts.

In one case, a mentor went so far as to take a St. Thomas MBA candidate to a professional social event to demonstrate networking skills, Spence says: "How do you introduce yourself to people? What do you ask? What do you say?"

Making it Work

Not every successful executive is well suited to be a mentor. The role requires genuine commitment to helping another person succeed, as well as some teaching and listening skills. Sources also agree that a mentor in the same company should be outside the mentee's chain of command—not a boss, and not a sponsor who is in a position to influence a hiring or promotional decision.

Assuming a pool of qualified and willing mentors exists, the best way to pair particular mentors with the right mentees is to start with the mentee's needs and objectives. "The secret sauce for a successful match is to let the mentee's goals determine who the mentor should be," says M'Lynn Hoefer, founder of St. Paul consulting firm Tapaidra, which helps companies establish and run mentoring programs.

What is the mentee trying to learn or accomplish? Whether the goals are tactical and related to a specific job or more "career-strategic," Hoefer says, "the mentor should be an expert in areas that pertain to those goals."

Sometimes it is obvious that the mentor must be someone in a particular type of role, as when General Mills looks for a senior division president to serve as mentor to a new division president. The same thing applies to one of Hoefer's clients, a research company that wants every new sales manager to have an experienced, successful sales manager as a mentor.

Often, however, there is more cross-pollination involved. For some global clients, Hoefer has arranged pairings in which the mentor and mentee are in different functions and on different continents.

When choosing mentors for their MBA students, both Bethel and St. Thomas look for executives with experience in particular industries or even particular companies—Target or 3M, say—for students who are sure they want to work for those companies. But often the students' career goals are less tightly focused. Personality tests and assessments of the students' strengths, weaknesses, and life goals also factor into the choice of their mentors.

Even in mentoring programs intended for women or minorities, gender and race are not necessarily important matching characteristics. Menttium specializes in such programs, but "we don't recommend necessarily matching mentors to demographic traits," says Vappie. "One thing that makes for a rich partnership is points of difference . . . . If you ask a woman or a person of color what they want in a mentor, they'll say, 'Someone to help me with my goals.'"

The success of a mentoring program, or of a particular pairing, can be measured in a number of ways. If mentees are required at the outset to identify specific, measurable goals, Vappie says, then it is easy to tell whether the goals were met.


Kevin Wilde, chief learning officer, General Mills

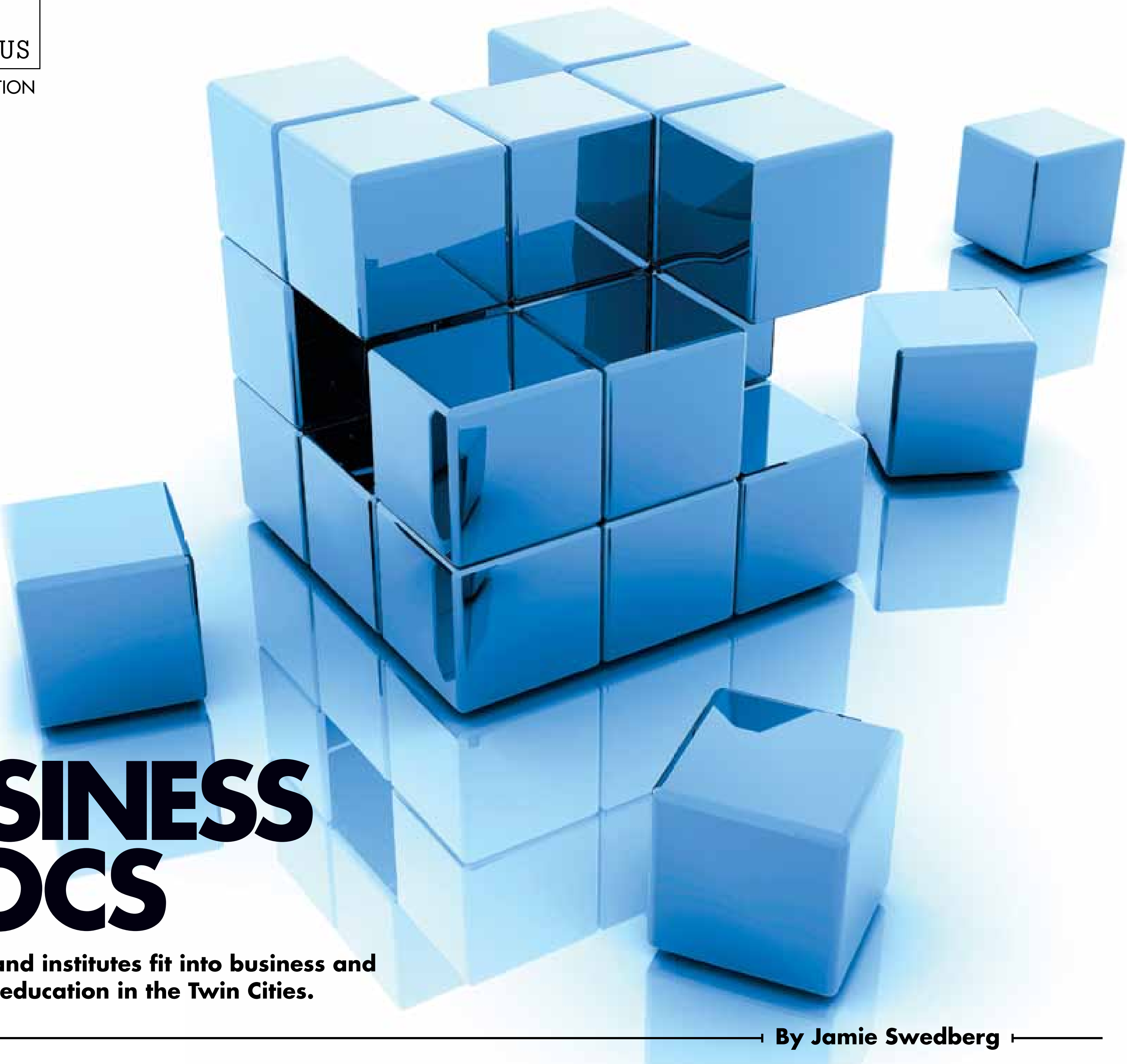
Hoefer says that in cases such as the one where mentors are assigned to new sales managers in the research company, you can measure actual job results and compare them with those of new sales managers who did not have mentors.

Most often, though, the success of mentor/mentee pairings is evaluated simply by debriefing both parties during and after the formal mentoring period. In other words, Dunbar says, "You ask them how it went."

Hoefer says she could point to a lot of people who credit mentors for enabling them to get at least one promotion. But the testimonial that she feels best sums up the value that a good mentor can provide came from a person who said, "Thanks to my mentor, I get an extra two hours of sleep every night."

"So many people today are under so much stress and feeling that their lives are out of control," Hoefer says. "If a mentor can make you feel more effective and better at what you're doing, you will lose less sleep." TCB

Jack Gordon is a freelance writing living in Eden Prairie. He has written frequently for Twin Cities Business.



BUSINESS BLOCS

How centers and institutes fit into business and management education in the Twin Cities.

By Jamie Swedberg

About three years ago, some alumni of St. Paul–based William Mitchell College of Law got together to talk about a phenomenon they'd noticed: They, and a lot of the school's other graduates, had gone on to forge successful careers in business rather than in law.

"All of us agreed that not only did we not regret going to law school," says Jann Olsten, executive director of the Center for Law and Business at William Mitchell. "We were of a mind that the critical thinking skills that we developed in law school came into play almost every day running a business. But what we then asked ourselves was, was there more that the law school could have done for us while we were in law school that would have better prepared us for our careers?"

This was the seed that grew into the school's Center for Law and Business, founded in 2010. It offers business courses to law students, and in many ways is similar to an ordinary academic department. But, Olsten says, it also has a significant outreach component that makes it more than just a department.

"What we've spent a fair amount of time at is not just developing the curriculum at the law school, but also working with businesses and law firms to identify what additional knowledge, skills, and attributes would be valuable to someone who has a legal education if they were to go on to careers in business," he explains.

The name alone automatically gives it more visibility than a department would have, Olsten says. That was intentional, since teaching business in a law school was something that hadn't been done elsewhere. By calling the new entity a center, the founders hoped to give it more prominence and more focus, particularly as it was getting off the ground.

The Center for Law and Business is not the only business-oriented center or institute in the Twin Cities—far from it. The University of St. Thomas Opus College of Business, the University of Minnesota Carlson School of Management, Hamline University, and St. Catherine University School of Business and Leadership have all denoted working groups in a similar way, for a variety of reasons.

Leadership Institute

School: St. Catherine University, St. Paul

Director: Mary Angela Baker

Mission: To create effective, ethical, and influential leaders who are prepared to challenge and transform their worlds.

At the Carlson School, centers and institutes sometimes act liked departments, with their own curricula course designators. But there the resemblance ends. Centers and institutes at the Carlson School don't have their own faculty, and though they may have an educational mandate, they also do other things.

"The Medical Industry Leadership Institute does a whole sort of set of courses which have MILI designators," says dean Sri Zaheer. "Similarly, the [Gary S.] Holmes Center for Entrepreneurship courses, courses with an ENTR designation, are run through them. But a center is typically also focused around a phenomenon, such as entrepreneurship, or has some interdisciplinary element to it, like the Center for Integrated Leadership, which is a joint center between the Carlson School and the Humphrey Institute. And all centers have an outreach mission."

The hope, too, she says, is that the creation of an institute will become an opportunity for future philanthropy—if, for example, someone has an interest in naming the institute, they can do that with a gift.

A center or institute can help to tell the story of a school. That's definitely the case for the Carlson Global Institute, says Michael Houston, associate dean of global initiatives. "It's very important for business schools to have a global identity, and having a distinct center or institute dedicated to the global strategy of the school helps that identity," he points out.

Centers and institutes "serve the obvious function of visibility," says Paula King, dean of the St. Catherine University School of Business and Leadership in St. Paul. "They serve the function of telling the story of St. Catherine University, and the School of Business and Leadership, through their programming. They serve to create and renew connections, as we promote events through [the centers] and invite people to come to them."

The Center for Public Administration and Leadership

School: Hamline University, St. Paul

Director: Bill Joynes

Mission: To support graduates of Hamline's Public Administration Masters program working in the five-state region, and to expand the graduate school's professional and continuing education efforts supporting public service.

Sourcing Support

Many centers at the Carlson School pull in faculty members from academic departments to teach courses under their designation. But it doesn't work like that everywhere. Centers and institutes at most institutions make heavy use of adjunct faculty because of their atypical or specialized subject matter.

The Medical Industry Leadership Institute was founded in 2005 in response to market demand that was keenly felt in Minnesota's medical technology–heavy business community.

"We did it because that's what the firms that our students are being hired by wanted to see," says Director Stephen Parente. "We compete with Wharton and Harvard and other places for placement, and one of the comments was, 'These folks are coming to us, and they have really good, broad strategic skills and good finance skills, but they don't know anything about the human body. It'd be great if they knew something before they showed up.'"

The Institute has its own set of interdisciplinary medical business courses, including its two signature classes: a quasi–pre-med physiology course that ends with the students researching a potential medical business venture, and a medical technology valuation lab where students write investors' reports on emerging medical technologies.

"We pretty much engage the tenure-track faculty on an on-demand basis," Parente says. "And what we don't have, we supplement with adjuncts. Some of

Center for Information Assurance Studies

School: St. Cloud State University, Herberger Business School

Director: Mark Schmidt

Mission: To facilitate cybersecurity research, education, and practice in conjunction with SCSU's Computer Networking and Applications Department. The center addresses major security and privacy issues from technical, business, legal, and policy contexts.

the adjuncts tend to be very specific, where the tenure-track faculty couldn't offer the course. For example, we have a course entitled Anatomy and Physiology for Managers that is taught by an internal medicine physician who's also an entrepreneur. There's nobody that's a tenure-track faculty person who's a physician at the Carlson School."

The Center for Law and Business

School: William Mitchell College of Law, St. Paul

Director: Jann Olsten

Mission: To provide law students with the knowledge, skills, and experience they need to succeed as business leaders and business lawyers.

Hamline University's year-old Center for Public Administration and Leadership functions (at least for now) largely as a continuing education entity. It, too, makes heavy use of adjunct professors.

"We started out by doing targeted certificate and professional training," Director Bill Joynes says. "We do programming for fire chiefs, police chiefs, public works supervisors, and economic development supervisors. We'll be looking at doing additional programming for Minnesota's Water Works Association and some of the housing people. It's professionally targeted training, 90 hours of contact over the course of seven months. The School of Business issues a certificate through the center for people that go through this."

Joynes says the training programs are taught by working professionals, many of whom are alumni. And, he notes, the center is self-sustaining: The money from the courses fully funds its activities.

Course offerings bring in money for many business centers. But most of them also depend, at least to some degree, on endowments. For example, because the William Mitchell College of Law's Center for Law and Business teaches something besides law courses, director Olsten was loath to divert any tuition dollars to it.

"So what we said, when I joined the school, was, 'We will raise all of the money necessary to put this on,'" he says. "We're largely self-funded. We're raising the money primarily from alums, law firms, and businesses that are interested in support of the concept."

John Stavig, professional director at the Carlson School's Holmes Center for Entrepreneurship, says that his center's courses don't provide revenue because they're part of the MBA program. So the Holmes Center depends on corporate and individual donations.

"We've had to sort of function and grow, and field a lot of our activities, based on what we can raise externally through corporate donations and endowments and sometimes fees, rather than through the normal processes," Stavig says. "We also have the ability to do grant research as well, so we've attracted revenue through grant funding."

Making a Statement

Entrepreneurship is a major focus at the Carlson School. But, Stavig notes, it's not something that's easily taught out of a book. The Holmes Center's outreach focus and its connection to the business community help the Center connect students to real-life experiences.

"The biggest outreach program that we have is organizing the Minnesota Cup competition, which was cofounded by two of our alumni," Stavig says. "We've increasingly taken on a role of organizing that in partnership with them—hosting the events, aligning mentors for it, and organizing the sponsors. That's become now the largest

Center for Nonprofit Management

School: University of St. Thomas Opus College of Business, Minneapolis

Director: Ann Johnson

Mission: To help build the capacity of nonprofits by using a blend of effective and relevant business principles and proven nonprofit practices.

Medical Industry Leadership Institute

School: University of Minnesota Carlson School of Management, Minneapolis

Director: Stephen Parente

Mission: To offer students the training, knowledge, and experience they need to meet future challenges and business opportunities in the medical industry.

statewide new business competition in the country. We've had more than 6,000 entrepreneurs participate in that since 2005."

Although a large part of the Center for Law and Business's mission is curriculum, there are two other parts: programs and outreach. Olsten says programs are often inspired by topics that can help increase students' awareness of business and nontraditional careers, but don't warrant an entire course on their own. The school brings in speakers to talk about government affairs, human resources, banking, regulatory compliance, and other business fields that don't require a JD, but might be of interest to law students.

But it is outreach that helps guide the center's future activities. A large part of it is "talking to businesses about what might be valuable to them," Olsten says. "Working with the businesses is really an important part of the value we're trying to add for students, because we need to make sure that businesses understand that law grads who choose to go into business aren't necessarily doing it because they can't get another job. It's because they truly have an interest in, and have dedicated part of their education to preparing themselves for, business. Externship programs and internship programs are a big part of our outreach effort, too. We had three interns this past summer working in business, not in law."

In addition to accomplishing its own self-contained mission and goals, a business center or institute can help express the mission of a school as a whole. "The School of Business and Leadership is built on four pillars: sustainability, innovative spirit, global justice, and practice-ready graduates," says St. Catherine University's Paula King. "And that was part of the reason we founded the Center for Sales Innovation in 1998, with 3M as our early partner. We're about economic justice for women, and we saw a strategic opening in the marketplace to develop a center for sales, because nobody else was doing it."

The center is designed to provide sales education at the bachelor's level, and focuses especially on health care sales and business-to-business sales, two of the strongest segments of the market. But it also reaches out to the community via programs such as its Women in Sales Leadership program, for professional salespeople, and its Sales Executive Forum, which is designed for senior executives.

"The center provides professional development for people out in the sales world," King says. "There's academic research about sales that takes place, and some custom training. We also have engaged in research and curriculum development to ensure that we're really at that leading edge of sales curricula. Departments wouldn't do that. Because of the center, we're ranked as one of the top 10 sales programs across the country. Our students leave extremely well-prepared." **TCB**

Center for Economic Development

School: University of Minnesota—Duluth, Labovitz School of Business and Economics

Director: Elaine Hansen

Mission: Helping entrepreneurs and businesses grow and succeed. The center strives to strengthens the viability of the region as a recognized leader in small business and entrepreneurial development.

Jamie Swedberg is a freelance writer and a frequent contributor to Twin Cities Business.

Charlie Baker, CEO of Range Systems in New Hope, expects his company to grow 20 percent in 2012.

SMALL BUSINESS SNAPSHOTS

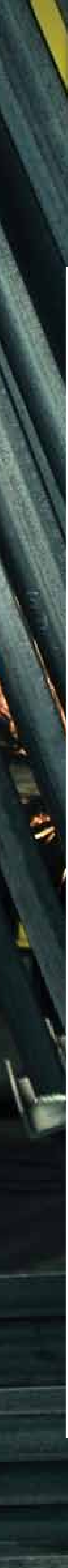
A glimpse into 11 successful small enterprises.

By Mary Connor

According to the Tennessee-based National Federation of Independent Business Research Foundation, the Small Business Optimism Index rose a mere 0.1 points in January. Small-business owners, the foundation report notes, are experiencing a lull in confidence and are not planning to hire or increase inventories.

However, while the lingering economic uncertainty could put a "lull" in anyone's confidence, the Minnesota small-business owners and managers we spoke to are sounding pretty upbeat. They were eager to share their successes, silver linings, and satisfactions. Though the companies profiled here represent a range of industries, they were fairly unanimous in their optimism. We take it as a good sign.

PHOTOGRAPH BY TRAVIS ANDERSON



Range Systems
NEW HOPE
Designs and builds live-fire shooting ranges and shoot houses for the military, law enforcement, and commercial shooting markets.
35 employees; founded in 1995

Charlie Baker, CEO:
How's Business? Revenues are growing. We expect to achieve 20 percent growth in 2012 over last year.
Biggest Challenge: Capital to support the ongoing growth of the business, and making sure we receive a fair return on this capital through staff and new technology development.
A Recent Win: [We] right-sized the amount of space we operate in and signed a new lease to fit the space. I believe it was the springboard for the growth we are experiencing as it opened up our working capital and allowed us to make some new investments.
Proudest Moment: I placed a congratulatory call to a retiring customer, who worked for a Special Forces Unit of the U.S. Army. During the call, he informed me that within a few months after the attacks of September 11, 2001, his unit built the first live-fire shoot house in Afghanistan with our product. All of his unit trained in the facility, completed their missions, and returned home safely. Without a doubt, it is the proudest moment of my professional life.

Monte, Mary, Denny, and Chad Murphy of Murphy Chevrolet

Murphy Chevrolet
FOLEY

Car dealership.
25 employees; founded in 1930 by Daniel Murphy

Chad Murphy, general manager:
How's Business? Sales rose 18 percent between 2010 and 2011.
Biggest Challenge: Economic uncertainty with consumers, both business and individuals. The price of fuel and the possibility of it rising higher is another challenge that we face when determining what inventory to order. Obviously, if the price of gas rises, the demand for vehicles that get better fuel economy goes up.
A Recent Win: The economic conditions we went through over the last four years have forced us to make a lot of changes. We had to cut and watch expenses very closely.
What's Coming Up? We are going to be starting a remodel project this summer. We will be adding an enclosed service drive, relocating our service write-up, and parts counters, expanding our customer lounge, remodeling all of our sales offices and showroom, and also remodeling the exterior of the showroom.
Proudest Moment: In 2011, we won the Jeffrey Butland Family-Owned Business of the Year award. It was awarded by the U.S. Small Business Administration. We were the state and regional winner for 2011.

Epicurean, Inc./ Loll Designs, Inc.
DULUTH

Epicurean designs and manufactures cutting boards and kitchenware; Loll Designs manufactures outdoor furniture using recycled plastic.
60 employees in two Duluth locations; founded in 2003

Dave Benson, co-owner and CFO:
How's Business? We had 35 percent revenue growth in 2011 compared to 2010.
Biggest Challenge: Competing with global businesses and rising costs in raw materials. We are a U.S. manufacturer competing with many companies that produce their products in China at a much lower cost. It is a continuous

Dave Benson, Epicurean and Loll

challenge monitoring, reviewing, and implementing the different ways that we can keep costs down.

A Recent Win: Moving our business to the city of Duluth in 2004. Duluth has been supportive of our businesses, and working with other local businesses has been beneficial as well. We have a very dedicated and talented work force, most of whom came from Duluth and the surrounding area.

What's Coming Up? [Rapid growth] has forced us to expand our production to two different locations within Duluth. We are working on bringing the production of both products back together under one roof in the next 24 months to gain some efficiencies.

Proudest Moment: Attending President Obama's State of the Union address in 2010 with U.S. Senator Amy Klobuchar. Epicurean was recognized as Minnesota Small Business Exporter of the Year. This is quite an achievement for our businesses, and attending the State of the Union address was an experience I will never forget.

Skjold Parrington Business Attorneys

MINNEAPOLIS

Provides legal services to businesses, business owners, and consumers.

14 employees in two locations; founded in 2006

Benjamin Skjold, president:

How's Business? From 2010 to 2011, billings increased by more than 5 percent, but we increased profitability more than 50 percent.

Biggest Challenge: The economy—businesses are trying to save money and lower expenses across the board, legal services certainly included. It has deeply affected M&A and deal-making of all kinds. The economy has also prompted many businesses and owners to defer "preventative" legal services.

A Recent Win: Over the last several years, we've been investing in technology and processes. The intelligent use of technologies, processes, and staffing efficiencies have allowed us to lower our overhead, keep our costs down while providing more value to clients.

Benjamin Skjold, Skjold Parrington Business Attorneys

What's Coming Up? My partner Christopher Parrington and I are also excited to be cohosts of the *MN Real Estate Coaches* on KFAN Saturdays at noon with Brenton Hayden of Renters Warehouse. We'll be talking about a variety of real estate–related topics that impact business, business owners, homeowners, and real estate investors. It's fun, we get to help people, and best of all, we get to do what lawyers love best: talk.

Proudest Moment: I experienced first-hand the inefficiencies and territorial nature of the conventional law firm model that can draw attention from profitability. Lawyer-driven management tends to be disruptive to employees and fails to embrace standard business processes that can impact revenue and margins. The numbers must drive decision making. My proudest moment so far in my career has been creating and building a business based on sound financial and management practices.

Vivid Image, Inc.

HUTCHINSON

Offers web design, online marketing, and social media services.

13 employees in 2 locations; founded in 1995

Beth Gasser, co-owner:

How's Business? In 2011, our revenues increased 25 percent and profits more than doubled over the year before.

Biggest Challenge: We work with many small businesses and start-up companies, and our challenge is helping them take the time to focus on their marketing. Small-business owners are often consumed with running their businesses, so we are continually challenged to keep them inspired and moving forward using technology and the web to grow their business.

A Recent Win: We've added services and modified how we do some things so that we can respond to our clients and offer them the services they need. We've hired four people within the last year and added a second location [in Minneapolis] in response to client needs and growing areas of our business: WordPress development and social media consulting


Beth Gasser, Vivid Image

What's Coming Up? Our challenge as a team is to decide which area each person is passionate about, learn and share our knowledge quickly with each other, and then break it down into easier-to-undertake "steps" for our clients so that even small, rural businesses in Minnesota can compete anywhere.

Proudest Moment: The relationships we've formed with our clients over the years. Many of our first clients are still with us. We've been a part of each other's business ups and downs, and we're proud to know the people and faces behind the businesses.

Ultralingua
MINNEAPOLIS

Develops language software and dictionaries for mobile devices.
8 employees; founded in 1997

Jeff Ondich, owner and CTO:

How's Business? Our revenue peaks when we launch new apps with dips between releases. We have also seen a sort of zigzag growth pattern over the past ten years. With everything we have in the works right now, I'm confident this year with be even stronger. We have some fantastic product releases planned for this spring and summer.

Biggest Challenge: Shifting direction and priorities as quickly as we need to can be a challenge. The app environment changes constantly. We need to adapt to news from Apple and new competitors every day.

A Recent Win: Following our initial success in the iTunes App Store in 2008, we began broadening our scope and adding more people to our team. While we wanted to take advantage of every opportunity that presented itself, we soon felt a lack of connection to our company direction. This fall, I decided to get back on track with what we really love doing and simplify wherever possible. We cut some programs entirely and put all our resources toward making high-quality apps for mobile devices. We feel like a new company; we are reenergized, focused, and already seeing great results, especially with some products that offer in-app sales.

What's Coming Up? Two major updates came out in March for our core products: dictionary applications for the iPhone/iPad. They are available in the Mac app store. We are also working on some fun, simple, somewhat experimental apps for iPhone and iPad which we are very excited about.

Proudest Moment: We all love our relationship with Assistiveware. They use Ultralingua's linguistic engine in their Proloquo2go software, which helps people with speech disabilities to communicate. It feels great to be an important part of that work.


Jeff Ondich, Ultralingua

Steve Cremer, Harmony Enterprises

Harmony Enterprises

HARMONY

Manufactures compactors and balers for cardboard handling and recycling.

70 employees in two locations; founded in 1962

Steve Cremer, president:

How's Business? Except for 2009, where revenues decreased, our growth has averaged 15 to 20 percent per year for the last five years.

Biggest Challenge: The economy. Businesses seem to continue to take longer to make decisions to purchase. They understand the benefits and quick ROI when they use our equipment, but it still takes a longer time to make the purchase.

A Recent Win: International sales have always been an important part of our business. In March 2011, we purchased a business in Toulouse, France. It allows us to do a better job of providing customer service to our European customers. Also, we can stock equipment and parts in France for faster delivery times. Our team in France includes four technicians that support our customers in European time, not U.S. time. This acquisition will help growth this very important market.

What's Coming Up? We have found that many businesses are still having trouble finding financing. So we have just started a rental company in order to rent our equipment to customers. This helps take down one hurdle for our customers.

Proudest Moment: Installing more than 200 of our SmartPack automatic compactors into the Atlanta airport last year. There is one unit at each gate in four of the terminals. The units wirelessly signal the maintenance department when they are full, saving a significant cost in labor for the airport.

Zeus Jones

MINNEAPOLIS

Provides marketing services.

28 employees; founded in 2007

Rob White, CEO:

How's Business? We have doubled the size of our staff in the last 18 months or so to meet business demands.

Biggest Challenge: Our company has experienced rapid growth in the past two years, and our challenges are related to that: finding exactly the right people to make us better and not just bigger, keeping the culture strong, and expanding our office space, all while not missing a beat with our work for clients.

A Recent Win: Saying no to some very tempting new business opportunities—our first priority is to our current clients and projects. While our business operates on a project basis, our client relationships are mostly ongoing, with an expanding scope of work. That is keeping us busy.

Proudest Moment: In March, we passed our five-year anniversary. I am frankly amazed—and incredibly proud—of where we've got to in just five years. When we started the

Rob White, Zeus Jones

company [with Adrian Ho, Eric Frost, Christian Erickson and myself, with partner Brad Surcey joining soon after launch], we could never have imagined the quality of our clients, the nature of our work, the culture we've built, and the awesomeness of our people.

Custom Catering by Short Stop
ST. CLOUD

A restaurant with both food production and catering divisions. Founded in 1974

Byron Bjorklund, owner:
How's Business? Revenues were up 22 percent in 2011 compared to 2010.
Biggest Challenge: The squeeze of higher food costs coupled with the customer looking for increased value. We have the pressure to find ways to offer exciting new culinary offerings while keeping them "value" priced.
A Recent Win: We have managed to grow and stay healthy in this environment by diversifying our mix. For instance, we supply lunches to a Somali day care provider, and we supply all of the food for the local ING Cafe. We have also worked to strengthen our relationships with long-standing customers in segments that are still strong, such as health care and manufacturing.
Proudest Moment: The proudest moment for me in my 37 years in business was the Minnesota Small Business Person of the Year award I received from the SBA in 2010. It was unexpected, but gave me a chance to look back on the things I am most thankful for: The community that has supported our organization and the people that I have had the privilege to work with.

I like to tell the story of Daryl, a boy with Down's syndrome who worked for us early in our start. I loved it when he worked, because I always received lots of hugs. When my wife PegAnne and I found out we our fifth child had Down's syndrome, I realized that I had learned way more from Daryl than he from me. All of these experiences along the way are what I am most thankful for.


Byron Bjorklund, Custom Cateringby Short Stop

Welcyon
EDINA

Franchiser of gyms for people 50 years and older.
15 employees in two locations (Edina and Bloomington); founded in 2009

Suzy Boerboom, co-owner:
How's Business? As membership grows, our revenues continue to climb at a rate of up to 20 percent in some months.
Biggest Challenge: When most people think of gyms, they picture loud music, a lot of spandex, overwhelming space and equipment. Shifting that mindset has been a hurdle. We offer a welcoming atmosphere, low-impact strength and aerobic equipment, and customized workouts guided by specially trained fitness coaches.
A Recent Win: Welcyon launched a marketing blitz for the month of January. We increased our advertising, which included a direct mail piece and our first billboard. This visibility has led to more members and an increase in our brand awareness.
What's Coming Up? We are actively marketing our Welcyon franchise opportunity and meeting with potential franchisees. [We are] in the process of opening a franchise in Sioux Falls, South Dakota. Increasing membership at our clubs is still a priority, as well as delivering world-class customer service.
Proudest Moment: I'm personally proud of the difference Welcyon is making in the quality of people's lives: increasing


Suzy Boerboom, Welcyon

energy, function, and overall happiness.

The Retrofit Companies
OWATONNA

Installs energy-efficient lighting upgrades and retrofits, and recycles lamps, ballast, electronics, batteries, solvents, and other specialized waste.

65 employees in two locations (Owatonna and Little Canada); founded in 1992

Steve Kath, president:
How's Business? [Revenues in 2011] went up about 5 percent from the year before.
Biggest Challenge: Finding and training qualified sales professionals.
A Recent Win: Cutting expenses by process improvements and educating employees to be more efficient.
What's Coming Up? We will be looking to improve our computer software and our building auditing process with new technology that will allow us to generate more proposals in a shorter period of time.
Proudest Moment: On March 12, 2012, when we reached our 20th anniversary. TCB

Steve Kath,
The Retrofit Companies

TECH•NO EXPO

The *Twin Cities Business* Virtual Technology Trade Show.

The 2012 Tech•NO Expo is our eighth annual virtual trade show—one that exists only in the pages of *Twin Cities Business*. This magazine-based "conference" brings together voices of technology professionals from around the state, who offer advice and insight into the challenges related to implementing business technology effectively. Read on to discover what fresh strategies your peers and colleagues are employing to boost productivity and revenues.

Agenda of Events

KEYNOTE PRESENTATION

VENDOR OR PARTNER?

Deciding what you need and getting it.

by Julie Flaschenriem
Vice president and chief information officer, Park Nicollet Health Services, St. Louis Park

Every business has needs. In the information technology world, those needs often revolve around finding a better product, such as software and hardware. As technology consumers, we seek out vendors with the latest, greatest product, and most of our analysis focuses on what the product can do for our business. What often is left unexplored is what the vendor can do for our business, and in return what we can offer. Why not foster opportunity by making vendors true partners?

The light bulb started to come on for me back in 2008—before I assumed the role of CIO—when Park Nicollet Health Services committed to replacing its electronic medical records (EMR) with a vastly enhanced system. I was asked to lead the implementation program. The vendor of choice was a fast-growing company, known nationwide for its rapid research and development of EMR software. When representatives from the vendor arrived to meet with us, it quickly became clear their approach to working together was different from anything we had experienced in the past. They laid out how they would provide feedback on the work of our teams and the leadership of the implementation. It was a bit of a shock to think a vendor would be evaluating us. But what they said next turned my initial apprehension into excitement. They wanted to learn from us as well. We discussed openly our expectations of each other, not just in product performance, but in terms of management, knowledge building, strategy development, and lessons learned. It was clear this vendor was asking to be a partner in our success. And that resonated deeply with my values as a leader.

From that moment on, I began to see a pattern in the relationships with our vendors. I took over as CIO at Park Nicollet in May 2009. At that time, Park Nicollet had an IT portfolio of more than 400 applications. When the announcement was made of my new leadership role, my phone began ringing with calls from vendors wanting to meet and discuss opportunities. To boost my knowledge, I began to meet with key vendors. I discovered three types of approaches:

- The vendor who comes in saying, "Let me tell you about my product and company, what we can do for you, and what you should buy."
- Different, but still vendor-centric, they say, "Tell me about Park Nicollet and Julie, and I'll tell you what we have to offer."
- An approach that immediately stands out: Vendors who embrace opportunity by saying, "This is how we have worked with Park Nicollet in the past. But how do you want to work together in the future?"

From the initial meeting, each vendor was defining just how far the relationship would go. It gave me pause to evaluate if these vendors were the right ones, regardless of whether their product was a good fit. In some cases, it was OK. The straightforward, traditional vendor-client relationship was fine: We need this, you have it, we'll buy it, and that's all we need. But in other cases, the lack of depth could prove to be a risk, especially if the product or service is critical to the success of our business. A clear example of a critical vendor relationship came about for Park Nicollet in late 2009.

An unfortunate collision of events forced Park Nicollet to replace its entire telephone and communications infrastructure. The vendor for all of our phone systems declared bankruptcy, there was risk the hardware and products would not be supported, and at the time we were only 50 percent through implementing what we thought would be our new system. We had to act fast. Telephones and telecom functionality are vital to our business.

Going into the vendor selection process, I knew this relationship would be critical to our business success. As the vendors came in, we asked them to define what our working relationship would look like, how we would share accountability, where opportunities were to help each other grow, and what would foster success. The differences in responses made our selection easy. The company we chose demonstrated that what we were asking was already part of its culture. The vendor team asked to be our partner and stressed that they would share the responsibility for our successes and failures. And in turn, we would provide them insight into the health care world, offer improvement ideas and feedback, and help them uncover new growth opportunities.

Since then, I have taken this approach with other key vendors and asked that our business relationship change into a partnership. It doesn't always work. I have been met with resistance and also misinterpretation. Some vendors viewed my request as an opportunity to sell us anything. In those situations, I had to take more assertive steps, such as refusal to renew contracts unless certain expectations were met. But in other instances, my efforts have been met with excitement.

As information technology leaders, we are empowered to change the dynamic of our key vendor relationships and we should. There will always be the "next best thing" in technology, but the human element will be what drives it to success. And part of that comes from how vendors and clients can support each other and the people using it. I truly believe there is comfort in knowing that together you will celebrate successes, weather failures, create solutions, and do great things.

PHOTOGRAPH BY PETE CROUSER

SOCIAL MEDIA VIDEO CHAT

How have your social media strategies evolved to meet the needs of your business or your clients' businesses?

Susan Beatty

Assistant vice president, public relations and social media manager
Bremer Bank, St. Paul
Banking and financial services company

Our main goal with any social media is to "preserve, protect and enhance Bremer Bank's reputation." Our efforts with social media started in 2007 with a blog for a particular group of Bremer Bank employees—our nonprofit resource specialists, who support the work of nonprofits and community partners.

In 2009, we formed a social media council at Bremer that includes business partners from HR, information security,


Susan Beatty, Bremer Bank

compliance, marketing, client service, e-commerce, technology development, corporate communications, and branch management. This council established a policy for Bremer's social media in 2010. Additionally, employees earn access to LinkedIn at Bremer by completing a LinkedIn tutorial.

In May 2009, we opened the @BremerBank Twitter account, mostly sharing information about the bank, employees, and our volunteer commitment. We also engage with community partners and often will retweet information from our Bremer Bank communities in Minnesota, North Dakota, and Wisconsin.

We address any client issues—usually within a few hours. And we respond to anybody who checks into Foursquare, thanking them for their business. Bremer has made a concerted effort to claim all of our banks on Foursquare and has seen a jump in overall check-ins from 257 in October 2011 to 658 in January 2012.

We also began to monitor Facebook for Bremer Bank mentions in 2009, but did not have an official Bremer Bank page until March 2011. We started a YouTube page for the bank in 2010 and really started to leverage it with a flash mob video [produced in June 2011] that was part of the Bremer Taking Action to End Hunger campaign benefitting Feeding America and Second Harvest Heartland. Bremer donated $1 for the first 10,000 views, which we achieved within 36 hours of the video being posted. Bremer also matched donations to Second Harvest Heartland through the month of June, and donations during last year's campaign were up 65 percent over 2010.

I think the biggest thing for Bremer is that we are doing much more social media—monitoring, generating content, posting, and communicating with employees about our initiatives. This started out being about 20 percent of my role at Bremer and has easily turned into more than 60 percent within the past year.

I would also add that the use of social media and the connections we are making on these channels are now considered an important communications vehicle at Bremer. Within the past year and a half, our executive committee has really embraced Bremer's use of social media and supports our efforts going forward.

We are planning a nonprofit giveaway contest on Facebook in the first quarter of 2012. We will be asking people to vote for their favorite nonprofit (in our Bremer Bank communities in Minnesota, North Dakota, and Wisconsin); the one receiving the most votes will win a $1,000 donation.

We are working on a redesign of the Nonprofit Resource Specialist blog. And we will be working to produce another "music video" production to be introduced during our June hunger campaign. Bremer will donate $1 for every view, up to 15,000 views.

> "The connections we are making on these channels are now considered important at Bremer."

We will continue to build out our Twitter account by engaging in conversations with our community partners, clients, and business partners. Our hope is to continue to address any client concerns on Twitter as well as share relevant and fun information about our bank, our communities, and our volunteer commitment.

Kristen Albrecht

Social media manager
Patterson Dental, Mendota Heights
Dental-products distribution company

In early 2011, Patterson Dental was partnering with Haberman, a local media and marketing agency, to create a social media plan that would extend Patterson's brand. That plan included hiring dedicated people to manage these efforts and establishing a social media team of stakeholders from across the company. In June 2011, I was hired to help build Patterson's social media efforts from the ground up.

In the second half of 2011, we launched our Facebook, Twitter, and Google+ accounts; YouTube channel; and dental business unit blog (**offthecusp.com**). During my first few months at Patterson, I spent a lot of time listening to what our customers were saying online. Ultimately, we let our customers dictate which types of content are posted on social media channels by evaluating the content they engage with and listening to what they ask for. Because we not only listen to our customers, but take action based on what they tell us, we are able to strengthen the relationships we have with them and become a trusted partner and member of their office team rather than an outside vendor who just sells dental products. What we've learned through social media listening has not only influenced the types of content we post on our blog, but also influences decisions like what types of optimizations need to be made to our e-commerce site.


Kristen Albrecht, Patterson Dental

The tremendous growth we saw on the social media front created a lot of enthusiasm among our employees across the country. Some already had been engaging with our customers using various social media channels and more were asking how to get started. We needed a way to ensure that all Patterson communication was adhering to various industry regulations. With the collaboration of several teams across Patterson, we created and adopted our social media policy and guidelines, and are in the process of educating our employees on best practices, as well as how to think socially.

When I first started at Patterson, I found out quickly that the health care industry was apprehensive about adopting social media for business use. Our customers frequently asked me, "Are you going to teach our office how to do social media?" A majority of dental practices were using social media as more of a broadcast channel rather than for social interactions. Many of our customers weren't quite sure how to interact on social media while still being mindful of industry regulations.

We saw an opportunity to help our customers grow their dental practices. We understand that in order to be successful in our business, our customers must first be successful in theirs. This is why we've dedicated every Monday on our corporate blog to providing information on how to market a dental practice. We do not sell marketing services; however, our marketing department does share helpful tips and tricks on everything from social media to branding. We've also had some great guest posts from marketing consultants in the industry. Our Monday marketing posts are some of the most shared content on our blog.

As a company, we embrace the concept that we don't really need a social media strategy, we just need to make our strategies social. We take our current goals and strategies and figure out the best way to incorporate social media into them. That said, we do have a methodology behind how we integrate our strategies with social media.

Our business strategies have always been based on building relationships with our customers and being a trusted business partner. So we are using digital tools, including social media, to support our sales force and help them strengthen customer relationships. Our human resources team has also started using social media in our recruiting processes.

In 2012, we are partnering with the American Association of Dental Office Managers (AADOM) and Rita Zamora, a social media and marketing consultant for dentists, veterinarians, and physicians, to offer free social media training to all of our dental office managers who are AADOM members.

Michael Schlotfeldt

President
Plaudit Design, St. Paul
Custom web design and Internet marketing firm

Our clients at Plaudit Design have become more educated in online marketing. In the last few years, we have gone from educating clients on basic tactics such as search engine optimization (SEO) to consulting on large holistic approaches that incorporate SEO, social media, online reviews, mobile tactics, remarketing, and much more. It is a very exciting time with many social media possibilities solidifying, more mobile devices hitting the market every day, and a refocusing on core online strategies such as SEO.

Clients have also come to understand that social media is not a magic solution for marketing, but should be used in a larger strategic plan to engage and communicate with an audience.

Along with larger holistic strategies, we have increased client education, which removes the mystery around online marketing tactics and empowers our clients to implement the plans we build them internally—if they have the internal resources available and the desire to do so.

We have built a number of exciting websites with responsive web design techniques. Following this development philosophy, each web page's layout, and therefore the client's experience, is optimized for the user's device.

A good example of this approach is **thiestalle.com**, the website for Chanhassen-based Thies & Talle Management, which owns and manages rental properties. When viewed on a desktop, the website layout takes advantage of the larger screen real estate, but when viewed on a phone or tablet, the layout modifies to provide an optimized user experience. This brings the website to the audience when and where they want it. And since it is a single site, the client saves money on the initial build and maintenance, while delivering an optimized experience to the user's various devices.

These savings can then be used to promote the website. One of the exciting ways to do this is through QR codes or the use of short URLs in advertising campaigns. While QR codes are still catching on with the general public, their use, along with short URLs, have been successful at driving traffic and doing so in a way that can be measured to gain valuable insight into marketing ROI.

While it's not a new approach to online marketing, we have seen and capitalized on large opportunities in SEO for many of our clients. For some, non-branded search traffic has increased by 300 to 500 percent over the last 12 months, and the quality of the traffic is as good or better than what existed previously. Some immediate examples of this success include:

- **xerxes.com**, a website for Bloomington-based Xerxes, which manufactures fiberglass tanks for liquid storage.
- **wh-security.com**, the site belonging to Rockford-based WH Security, a security system supplier.
- **accustream.com**, the website of AccuStream Waterjet Products, a New Brighton company that sells waterjet cutting equipment.

In each of those cases, the increase in traffic and generated sales leads has been significant, with additional opportunities already discovered and underway.

At Plaudit Design we have traditionally offered SEO and pay-per-click management services (e.g., Google AdWords) to our clients. Over the last two years we have expanded our services to utilize advances in technology and new marketing channels, including social media. This broadened strategy has achieved great results, even for clients focused on search ranking alone.

More of our clients are becoming interested in integrating their offline and online marketing. This integration through short URLs, QR codes, and the like has provided them with a method to measure offline campaigns, which in the past were difficult to quantify. We have helped with the creation of landing pages with responsive web designs that work on mobile devices and desktops, and through education we've guided clients on how to utilize the power of Google Analytics.

Michael Schlotfeldt,
Plaudit Design

Geoff Bremner

President and CEO
Modern Climate, Minneapolis
Digital marketing agency

We see a lot of interest in better leveraging mobile. We're partnering with both consumer and business-to-business brands to target customers with personal, real-time experiences anywhere, anytime. Mobile in this case is not just a stand-alone touch point but is integrated with various experience channels. We launched a couple of these integrated mobile engagements recently

at the Consumer Electronics Show for a couple of clients. Upcoming work in this area includes a major multinational cosmetics company and global processor chip manufacturer.

Over the 2011 holiday season, we worked with a client on a mobile behavioral targeting campaign. The client

> Stakeholders can have a clear idea of what success will look like.

was interested in a marketing campaign targeting consumers shopping on smartphones. The goal was to find these consumers and offer an experience that accelerated time to purchase. We developed a fun experience that integrated with the user's Facebook profile to deliver a personal experience that helped inform the shopping process. Behavioral targeting enabled our experience to be served in the right context at the right time. In other words, when consumers were shopping, we offered to help them out. As a result, our campaign exceeded performance expectations when compared to published industry click-through and engagement standards. There is a lot of talk about "invisible banner ads," especially mobile banners. But when backed with good targeting intelligence, we've proven it's possible to offer an experience that consumers want, while serving the business interest of the brand.

In the practical sense, digital has evolved to center on the fact that its marketing impact can now be holistically measured and quantified. This is quite a relief and a benefit to our clients. It no longer is a stab in the dark. A business case can be fully derived from the get-go to ensure all stakeholders have a clear idea of what success looks like and what the impact on the bottom line will be.

The importance of multichannel integration has never been more pronounced. More and more, we are developing whole experience "sets" designed

Geoff Bremner, Modern Climate

to connect with customer mindset and aligned to meet business goals at each stage. This shapes creative, media, and platform selection and provides a go-to-market discipline that is so much more efficient than the ways of the past, especially given how fragmented the media landscape has become.

It continues to be all about conversion and advocacy this year but with a twist. Whereas in the past most companies took pains in building their direct-to-consumer e-commerce sites, a lot are testing the democratized transactional commerce offerings of platforms like Facebook, Groupon, and Google Money. New ways of selling are also in vogue—from flash sales to group sales that encourage advocacy and amplification.

In addition to experiments in conversion transactions and commerce, more clients are interested in ways to get to know more about their followers on social media platforms such as Facebook, Twitter, and Pinterest—basically some level of social CRM. They believe getting to know these followers more means being able to better influence their behavior and preferences. This is where testing the effectiveness of a variety of platforms and applications comes to the table—from new tools such as ThisMoment and Google Goggles, to integrating with more established ones such as Foursquare.

INFORMATION TECHNOLOGY BLOG

What are the significant challenges—and opportunities—for Minnesota IT leaders?

Shawn Lovett

CIO
Dura Supreme Cabinetry, Howard Lake
Manufacturer of custom kitchen and bath cabinetry
Minnesota employees: 350
IT staffers: 8

We have been able to balance our implementation of new technology with the support of legacy software applications. We are using smartphones to securely access corporate e-mail and calendar information. Our marketing department successfully uses iPads as a "virtual showroom" to showcase our products without the need to lug around a laptop. We have also embraced online training as a means to quickly and inexpensively conduct both live and recorded presentations on our new products and promotions.

Shawn Lovett, Dura Supreme Cabinetry

Our biggest pressure is dealing with the ever-changing, ever-evolving variety of IT systems. Just as Microsoft has evolved from Windows 98 to Windows XP to Windows Vista to Windows 7 at the desktop level, all servers, databases, third-party applications, and development platforms have evolved as well. Our planning includes the migration of legacy applications to newer platforms, taking into consideration the third-party applications we integrate with, as well as taking advantage of the ongoing advancements in the industry.

We recently implemented a data warehouse. This has allowed us to better utilize the wealth of information we have collected over the years and use it to model future offerings, as well as better track the effectiveness of our advertising, promotions, and new product offerings. There are some excellent tools in the market that support data warehouse management and reporting, such as the SQL Server Business Intelligence tools.

> Server virtualization will reduce power consumption and centralize server management.

For this year, we are looking at server virtualization. It will provide benefits such as reduced power consumption and centralized server management. We implemented virtualization for our development and test environments, and are looking at expanding it to additional environments.

As a manufacturing company, our focus on optimization and material utilization has allowed us to obtain greater yields and make better use of resources. In addition to being more environmentally friendly, it also reduces our costs. We are constantly on the lookout for additional opportunities for optimization.

In terms of projects in our pipeline that look promising, we are moving more of our applications to the cloud and determining how to best take advantage of the emerging technologies including smartphones and tablets. We stay abreast of trends while determining what technologies will provide the most benefit to our company.

I spend the most time planning, prioritizing, and managing projects. We need to keep all IT systems running at full capacity to support the business, but the projects allow us to develop and implement new solutions that will make our business better. I work very closely with our business leaders to understand and prioritize their business requests, and then work with my team to determine when and how we can best provide IT solutions. It is also the part of the job that I enjoy working on most.

Trevor Farnum

Chief technology officer
Benesyst, Minneapolis
Provider of employee benefit administration services
Minnesota employees: 100
IT staffers: 14

The most significant pressure I see on corporate IT departments is to ensure that the enterprise IT strategy is providing significant value to the business. Any business, no matter the size, needs to have an IT strategy that aligns with the value proposition of the business. It is important, though, to remember that this alignment means focusing on creating systems and processes that provide a competitive advantage. As much as possible, non-strategic components should be outsourced to providers who can supply these services at an optimized cost, while the valuable internal IT resources are leveraged to bring the maximum value to the business. This applies as much to customer relationship management systems as it does to code within our software. I don't want my software engineers spending time coding a common function such as a calendar when I can source it. My team can focus on the capabilities that matter most to our customers.

Another imperative for leaders in IT is to constantly evaluate new technologies to streamline and improve overall efficiencies of the business. The business will often want to implement the latest and greatest technologies before the full impact on the business is known. This is understandable when you consider the accelerating pace of technology change and a desire to be seen as a company that is on the leading edge. From who owns your data (cloud computing) to what security is required to enable a mobile application, new technologies can enable the business to be more flexible and deliver greater value to its shareholders when implemented thoughtfully and appropriately.

Over the last year, we have introduced new SAN technology using some of the latest enterprise flash disks for some of our higher-end database systems. We will be continuing to evaluate and, where necessary, upgrade key infrastructure components over the course of this year, including an evaluation of our virtual environments, networking components, and storage needs. Additionally, our software engineering teams have been iterating on some of our latest product offerings. Over the next year, we will continue to improve and add capabilities to our product lines, but also focus on upgrades to our core systems. Service-oriented architecture (SOA) has enabled our enterprise to be nimble and not only grow with the changing demands of the business but also allowed for constant improvement with each iteration.


Trevor Farnum, Benesyst

The greatest benefit to the company has come from driving an integrated enterprise solution for data governance, software architecture, and software delivery. Second to that, on the infrastructure side, our advances in virtualization have enabled us to respond more quickly to market pressures by allowing us to stand up a server in hours rather than days. Over the next year, we will be evaluating desktop virtualization and hope to see similar results.

> "The business will often want to implement the latest and greatest technologies before the full impact on the business is known."

I make a point of spending the largest percentage of my time on strategic tasks. In order to get to that point, you have to have an amazing team of people and excellent managers supporting you. It is extremely difficult not to be overtaken by e-mails, meetings, or phone calls, so a conscious effort must be made to stay focused on long-term strategic objectives. For the time I spend managing people, I put focus on spending significant time with my star players, making sure they are engaged, motivated, and able to spread support for the strategy throughout the organization.

David Mason
Vice president and CIO
Wings Financial Credit Union, Apple Valley
Banking and financial services company
Minnesota employees: 384
IT staffers: 22

The ever-increasing pace of technological change creates challenges for

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Strategy. Brand. Design. Media. Social. Search. Email. Analytics. Technology. We want to help you use the web in ways that make sense and make your customers love you. That's all. Making the web a better place to be.

Wings Financial, but even more challenging is the pace at which consumer expectations are changing. The mobile revolution has raised the bar even higher for 24/7 access to financial services. Using smartphones and tablets, our members can check account balances, transfer

David Mason, Wings Financial Credit Union

funds, and pay bills quickly and conveniently whenever and wherever they choose. This level of availability increases the pressure on IT to ensure backend systems are up and running with minimal, if any, downtime. Maintenance windows get compressed, upgrade cycles shorten, and redundancy requirements increase. Thankfully, technologies such as virtualization, cloud-based services, and dramatically improved Internet speeds have helped us meet our members' expectations.

The credit union is committed to safeguarding our members' data, and we devote considerable resources to information security. Over the past two or three years, the threat landscape has shifted dramatically and now includes not only organized crime syndicates, but also cyber-vigilantes or "hacktivists" utilizing increasingly more sophisticated attack methods. The discipline required to maintain a good security posture places a great deal of pressure on IT staff at most companies these days.

The top priority during 2011 was the successful merger with City-County Federal Credit Union. This initiative represented a true "win-win" scenario for members of both organizations. We were able to migrate 60,000 members and more than 200,000 individual accounts from one core system to another with minimal member disruption. In addition, the information systems team also rolled out Windows 7 to all workstations at all branch locations. The Windows 7 upgrade has been very popular with staff.

In 2012, we plan to focus on improving our e-commerce offerings. While Wings Financial currently offers a broad range of Internet-enabled services, including mobile apps for iPhone, iPad, and Android devices, we feel the breadth of functionality can be improved. Due to our national scope, the Internet channel is extremely important. Only half of our members live near a branch. The rest rely on robust electronic services functionality. To this end, we are working on modernizing and integrating the member experience. The goal is to make available the same rich feature set regardless of the channel or device used.

We will also be spending some time improving our foundational technologies such as Exchange 2010, SharePoint 2010, and Link Server. I am particularly excited about the advanced features

"The discipline required to maintain a good security posture places a great deal of pressure on IT staff."

and functionality available on the Cisco Nexus platform. New technology, such as the unified switching fabric for voice, data, and storage, has the potential to increase our network performance by an order of magnitude.

Server virtualization has reduced our capital expenses for hardware and software, improved our uptime, reduced our project implementation timelines, and dramatically improved our disaster recovery posture. We have been somewhat behind the curve in implementing enterprise virtualization due to the fact that we have long leveraged terminal services to provide centralized support and management of our desktop environment, including branch offices. This "thin client" environment provided some of the same benefits as virtualization. Once we really committed to our enterprise virtualization project, we quickly learned that the two technologies were actually very complementary in some ways. We were able to continue to realize the bandwidth and administrative cost savings enabled by the terminal services environment but also take advantage of scalability provided by virtualization.

A number of security-related projects have also provided significant cost savings to the credit union. Most folks tend to view security as an unavoidable expense, but we have found the improved network visibility afforded by internal segmentation, IDS systems, and security event management systems has allowed us to identify and clean up a number of server, workstation, and network configuration issues. This has resulted in less downtime and administrative overhead.

pany's need to remain secure. Most of the old has been replaced with the new. Legacy systems that created data silos and a significant amount of pain regarding database mining have been replaced by today's more business intelligence–friendly ERP software.

Recent projects include ERP implementation, security compliance and remediation, VOIP, unified messaging, WAN upgrade, smartphone rollout, expansion of virtualization, an IT roadmap, and an IT strategic plan.

In the pipeline, we are planning to expand DMI to more equipment, a storage expansion and redesign, virtualization of Macs, security certifications and compliance, .Net application development related to the ERP system, and CDR improvements.

The greatest cost savings has come from the ERP implementation. It caused us to review our processes and to eliminate non value-add steps and reduce staffing. From an IT standpoint, virtualization has been our most productive and efficient project. The most promise in the pipeline is a reconfiguration of the virtualization cluster. I think we'll see productivity gains in a number of areas.

As a member of the senior leadership team, the majority of my job is managing people. I no longer directly manage the largest projects. Rather, I spend time with my direct reports who are leading those projects and their own departments. I enjoy what I'm doing, but I wish I could spend more time on my golf game!

Steve Burns

Vice president, direct marketing and information technology
Nahan, St. Cloud
Printing and direct marketing company
Minnesota employees: 400
IT staffers: 18

Steve Burns, Nahan

We have several teams that have strong appetites for the latest and greatest. Our sales department wants to have information they need at their fingertips. Our customer service department wants to be immediately accessible and highly responsive. In fact, who am I kidding? We all want to get at what we need more quickly and easily.

However, it is our job to make sure that it is being done securely. So the compromise we make is to grant our highly mobile employees the new tools they need, but then lock them down as tightly as possible by sandboxing company data from other applications and programs. In order to do this, we have drawn a hard line: If you want to access our network, you will need to use our IT assets. It has made the process of administration more controllable. The IT team has driven the selection of preferred technology based on our com-

TELECOMMUNICATIONS WEBINAR

What are the priority projects for telecom leaders?

William Lowell

Network, telecom, and facilities manager
American Engineering Testing, St. Paul
Geotechnical, environmental, and construction materials engineering and testing firm
Minnesota employees: 200

Recently, we installed small hybrid telephone systems in two offices, and we installed a hosted VOIP telephone system at our Green Bay, Wisconsin, office. It was the first we've attempted. A network engineer from our home office worked with the vendor onsite to complete and verify operation of LAN and WAN connections as part of installation. The system provided much greater functionality and increased productivity over the existing three-line system, which was being overpowered by the quickly growing office. It will also provide a test case as we move forward with our nationwide VOIP network initiative.

Following a server and server room upgrade last year, we are prioritizing a network infrastructure upgrade. This will increase performance, and will provide support for our nationwide VOIP and unified communications initiative.

American Engineering has had a Polycom videoconferencing system for several years. We support more than a dozen locations. Videoconferences are used daily as a management communications tool with our regional offices and are regularly held between all locations for things like client project consulting and safety and training sessions for employees and clients. The savings have already shown a good ROI, not just in travel and hotel costs but in turning what were travel hours into more productive hours.

William Lowell, American Engineering Testing

Joe Hines

CEO
Voice & Data Networks, Inc., Edina
Enterprise networking services firm

The place we're seeing the most activity is in the area of enterprise collaboration. The enterprise phone system or "voice" system has been completely redefined. The phone system is now really collaboration software. And the concept of unified communication (UC) largely remains a concept. Clients can't really choose a UC product off the shelf—UC is what you, the client, make it. "What you make it" depends directly on how better collaboration between people via technology can make your business more productive and more profitable. The thing that has surprised, I think, the whole industry is how ubiquitous using communication technologies to enable business process really is! It seems sometimes that this concept can touch almost anything in the enterprise.

Our company has a client that sells and services field-deployed heavy equipment. This client found that a substantial amount of calls were coming from their field technicians' cell phones and directed back to the home office. For this client, UC meant four-digit dialing from all company-owned cell phones directly to the party that they needed at the home office. The cellular carrier, cell phone provider, and WAN provider were all a single party that interacted directly with the client's headquarters phone system via SIP trunking. This project put all of those technicians' cellular calls "on net,"


Joe Hines, Voice & Data Networks

eliminating minute charges, enhancing productivity, and controlling cellular costs. Additionally, cellular calls were routed through the client's headquarters system so that outbound calling permissions were applied to cellular users.

Business leaders, such as COOs and sales, merchandising, and client-service vice presidents, are larger factors in the priority-setting process than ever before. The project that gets approved first seems to be the one that has the greatest or most quantifiable return.

We are still seeing clients building out some videoconference facilities or upgrading existing facilities for high-definition or larger capacity. Popular video goals also now include room-to-individual (fewer than 10 individuals), individual-to-individual video, or broadcast video such as streaming video for education or corporate alignment. Ease of use and embedded technology has combined with products such as Skype to serve a rather large market segment. Personalization of the encounter, along with device-of-choice issues seem to be the drivers of the day.

OFFICE PRODUCTS PINBOARD

Office Innovations

Two Minnesota companies—Minnetonka-based audio-visual design company MSpace and Chatfield-based Tuohy Furniture Corporation—have teamed up to put Polycomm Immersive Telepresence videoconferencing technology into a sleek, modern cabinet that fully conceals the equipment when it's not in use. At only 15 inches deep, the Zi Collection units fit into a variety of office, conference, and hospitality settings.

WorkFit-A Sit-Stand Workstations from St. Paul–based Ergotron are designed to get employees on their feet. The device attaches to a desk or other work surface and allows a person using a computer to sit or stand. Users adjust the WorkFit simply by pushing it into place. It can support more than one monitor or laptop, and adjusts to a variety of positions. The product is meant to mitigate the health effects of prolonged sitting for office workers, and to improve productivity.

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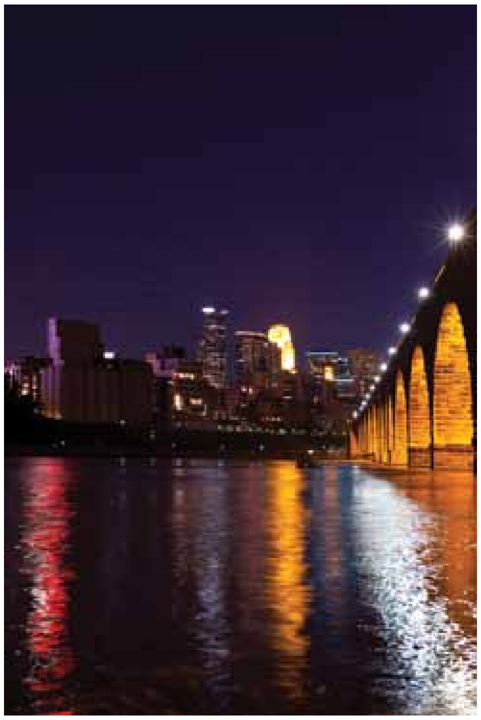

2012 Twin Cities Five Star Business Insurance and Benefits Professionals

Five Star Professional partnered with *Twin Cities Business* to determine the business insurance and benefits professionals in the Twin Cities region who provide exceptional service and overall satisfaction. The Five Star Professional research team surveyed clients and industry experts and who had experience working with a business insurance and benefits professional. Those who participated in the research provided the name of a business insurance and benefits specialist and rated them according to relevant criteria such as integrity, communication and customer service. The survey data was collected and scored, resulting in the list of 2012 Twin Cities Five Star Business Insurance and Benefits Professionals. The research methodology allows no more than 7% of business insurance and benefits professionals to be named a Five Star Business Insurance and Benefits Professional. This year's winners are listed and profiled in the following pages.

> "Knowledge is power — working together to apply current market knowledge to your unique situation results in decisions that align with your specific needs."
>
> — *Five Star award winner*

Research DISCLOSURES

- The 2012 Five Star Business Insurance and Benefits Professionals do not pay a fee to be included in the research or the final list.
- The list of 2012 Twin Cities Five Star Business Insurance and Benefits Professionals is a select group, representing less than 2% of business insurance and benefits professionals in the area.
- Five Star Professional surveyed 15,000 small businesses (10 – 250 employees) throughout the Twin Cities.
- Each business insurance and benefits professional is screened against state governing bodies to verify that licenses are current, and no disciplinary actions are pending. Then, before the list is finalized, it is reviewed by a panel of industry experts. Safeguards are built into the review process to reduce the ability to influence the final list on the basis of company affiliation.
- The inclusion of a business insurance and benefits professional on the Five Star Business Insurance and Benefits Professional list should not be construed as an endorsement by Five Star Professional or *Twin Cities Business*.
- The research process incorporates a statistically valid sample in order to identify the business insurance and benefits professionals in the local area who score highest in overall satisfaction. Business insurance and benefits professionals are not included on the list unless their score is statistically valid.
- For more information on the Five Star award and the research/selection methodology, go to www.fivestarprofessional.com.

The Five Star award goes to less than 7 percent of Business Insurance and Benefits Professionals.

Five Star Business Insurance and Benefits Professionals. Award winners are listed by primary services.

Business Insurance and Benefits Professional additional services: Risk Management = RM; Property and Casualty Insurance = PCI; Liability Insurance = LI; Commercial Auto Insurance = CAI; Workers' Compensation = WC; Business Interruption Insurance = BII; Life and/or Disability Insurance = LDI; Social Security and/or Other Taxation Related = SS/T; Unemployment Insurance = UI; Health and/or Dental Benefits = HDB; Retirement Plans and/or Pensions = RPP.

Business Insurance

Mark Ahmann · RJ Ahmann Company
PCI, WC, LI, CAI

Richard Ahmann · RJ Ahmann Company
PCI, LI, WC, RM

James Anderson · American Family Mutual Insurance Company
PCI, LDI, LI, CAI

Todd Anderson · Pillar Insurance Advisors
PCI, WC, LI

Alan Bakke · Sherman Insurance Agency
PCI, CAI, WC, LI *Page 9*

David Bakken · Wells Fargo Insurance Services USA
PCI, CAI, WC

Serena Bateman · Associated Financial Group

Troy Beckman · State Farm Insurance
PCI, LI, LDI, CAI

John Bedor · Associated Financial Group

Carl Bennetsen · Northern Capital Insurance Group
PCI, WC

Diane Berg · Willis of Minnesota
RM, PCI, LI, WC

Peter Bolz · Lee F. Murphy Insurance Group
PCI, LI, WC, CAI

Ted Botten · Ted Botten Insurance Agency
HDB, PCI

Alison Bowers · Christensen Group Insurance
PCI

Ryan Brellenthin · Waypoint Insurance Advisors
PCI, WC, LI, LDI

Tania Briggs · Briggs Consulting Group
HDB

Vic Brodt · Jack W. Brodt Agency
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Mark Buermann · Wells Fargo Insurance Services USA
PCI, WC, LI, CAI

Irv Cohen · Bearence Management Group
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Gregory Davis · Wippman Davis & Associates/ First Point Financial
LDI, HDB, RPP, RM

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PCI, LI, CAI, WC

Ted Dyste · Dyste Williams
PCI, HDB

Dave Effertz · Tincher Peterson Sincock
PCI, HDB, RM

Thomas Farnham · Bearence Management Group
PCI, LI, CAI, WC

Litton Field, Jr. · Bearence Management Group
PCI, RM, HDB, WC

Donald Ford · Wells Fargo Insurance Services USA
PCI, CAI, RM, WC

David Foster · The Partners Group
LDI, HDB, RPP

Pat Fournier · Associated Insurance Agents
PCI, LI, WC, CAI

Brad Frankenstein · Willis of Minnesota
RM, PCI, WC, BII

Marshall Gifford · North Star Resource Group
LDI, RPP, HDB, BII

Dawn Hansen · Insurance Brokers of MN
PCI, LI, CAI, WC

John Hartwig · Miller-Hartwig Insurance
PCI, LI, LDI, CAI

Karen Hawkinson · The Insurance Mart
PCI, WC, LDI, RPP

Jeffrey Hebeisen · Citizens Insurance Services
PCI

Anna Heiniger · Mayer Insurance Agency
PCI, WC

Steve Heinonen · Steve Heinonen Insurance Agency
PCI, CAI, LI, WC

Daniel Hoffman · Dolliff Insurance
PCI, WC, LI, CAI

Scott Holmes · Associated Financial Group

Michael Hoppe · Corporate 4 Insurance Agency
PCI, LI, WC, RM

Brenda Hoven · Western Insurance Agency
PCI, WC, CAI

Bob Iverson · McNamara Company
LI, WC, HDB, PCI

Richard Jansma · Assured Protection
SS/T, WC, LDI, HDB

Kenneth Jarcho · Ken Jarcho Agency
PCI, WC, CAI, LDI

Brian Jenks · Principal Financial Group
LDI, HDB, RPP

Eric Jensen · The Jensen Agency/Insurance Brokers of MN
PCI, RM, WC, CAI

Jane Johnson · Corporate 4 Insurance Agency
PCI, CAI, WC, LI *Page 9*

Beth Jones · First Choice Insurance Services
PCI, WC, LDI, HDB

Melinda Jones · Associated Financial Group

Cindie Jorgensen · Rose Valley Insurance Agency
HDB, LDI, RPP

David Jurisz · One Stop Insurance
LI, CAI, WC, PCI

Roger Karjalahti · State Farm Insurance
LI, LDI, WC, PCI

Mark Kiesow · J.A. Price Agency
PCI, LI, CAI, WC

Robert Kirschbaum · Horizon Agency
PCI, RM

Eric Klein · Lee F. Murphy Insurance Group
PCI, LI, WC, BII

Jim Klym · Kraus-Anderson Insurance
BII, CAI, RM *Page 7*

Michael Koker · Michael Koker Agency
PCI, LI, WC, RPP

Mark Kraemer · Anderson Agency/MN Comp Advisor
WC, PCI, RM

Kevin Kramer · Federated Mutual
PCI, WC, RM, LDI

Debbie Lindquist · RJF/Marsh & McLennan Agency
PCI

Dawn Little · RJF Agencies
PCI

Jim Lynum · RJR Insurance Agency
PCI, WC, LI, CAI

Marcus Macke · Agency 10 Insurance
PCI, LDI, RM, LI

John Mares · RJF Agencies
PCI, WC, RM, BII

Scott Mayer · Mayer Insurance
PCI, LI, CAI, WC

Patrick McNamara · McNamara Company
PCI, LI, CAI, WC

Steve Meredith · Meredith Insurance Agency
PCI, LI, CAI, WC

Geoffrey Milsow · Maguire Agency
WC, PCI, CAI, RM

Laura Moore · RJF/Marsh & McLennan Agency
PCI, RM

Kevin Myer · Associated Financial Group
PCI

David Nelson · Nelson Woodis & Sullivan
LDI, HDB, RPP, BII

Dallas Oldre · Associated Financial Group

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Jolene Olson · Wells Fargo Insurance Services USA
PCI

LuAnn Paulet · Insurance by Design
PCI, LI, WC, CAI

Abigail Pawelk · RJR Insurance Agency
PCI, LI, CAI, WC

Brandon Perkins · The Christensen Group
PCI, LI, WC, CAI

Timothy Poston · Insurance Brokers of MN
PCI, CAI, WC, HDB

Paula Radmacher · Brown & Brown of MN
PCI, LI, CAI, WC

Amy Ralidak · Noah Insurance Group
PCI, CAI, WC, HDB

John Rendall · Davies & Rendall Company
PCI, WC, CAI, LDI

Jerry Riestenberg · Associated Financial Group

Jim Sakara · Corporate 4 Insurance Agency
PCI, WC, RM, HDB

Greg Sandvig · RJF Agencies
PCI, RM

Dan Scattarella · Horizon Agency
PCI, RM *Page 8*

Cary Shaich · Ross Nesbit Agencies
PCI

Mark Smith · American Family Insurance
PCI

Aaron Sorenson · Insurance Brokers of MN
PCI, LI, CAI, WC

Gary Sorenson · Insurance Brokers of MN
PCI, CAI, WC, LDI

Jess Stacy · Jess Stacy Insurance Agency
PCI, WC, CAI, HDB

Jeff Stanley · Paulet/Slater Agency
PCI, WC, CAI, LI

Joyce Starks · Western Insurance Agency
PCI, CAI, WC, BII

Patty Stoessel · Associated Financial Group

Terry Sweeney · Richfield State Insurance
RM, LI, CAI, WC

Nancy Swerdfiger · Associated Financial Group

David Szczepanski · Garry Insurancenter
PCI, LI, WC

Mike Tanghe · Michael Insurance Consultants
PCI, WC, LI, RM

Mike Tate · Maguire Agency
PCI, RM, WC, CAI

Hal Tiffany · Hal Tiffany Agency
PCI, WC, HDB, BII *Page 10*

Justin Voerster · Kraus-Anderson Insurance
PCI, RM, LI, WC *Page 7*

Joe Walker · Northern Capital Insurance Group
PCI, LI, CAI, WC

Joe Washleski · The Insurance Mart
PCI, CAI, LI, WC *Page 10*

David Wendt · Associated Professionals Limited
PCI, RM, LDI, RPP

Zach Zimmer · Associated Financial Group

Employee Benefits

Thomas Armbruster · Armbruster Executive & Employee Benefits
HDB, LDI, RM, BII *Page 9*

Karen Arne · The KNW Group
HDB, LDI, RPP

Timothy Bakken · Tim Bakken & Associates
HDB, LDI, RPP

Charles Bauer · Bauer Insurance Agency
HDB, LDI, BII, RPP

Ronald Bearman · Ron Bearman Agency
HDB, LDI

Chris Bedor · Anchor Benefit Partners
HDB, LDI

Dennis Begley · Associated Insurance Agents
HDB, RPP, LDI

Lisa Behr · Unison
HDB, LDI

David Beniak · RJ Ahmann Company
HDB, LDI

Ann Benson · Financial Concepts
HDB, LDI

Mark Berg · Health & Life Brokerage Services
HDB

Jodi Berge · David Martin Agency
HDB, LDI *Page 6*

James Besst · Unison
LDI

Mark Bodin · Elfstrum Consulting
HDB, PCI, WC, RPP

Bradley Borg · Shared Financial Resources Group
HDB, LDI, SS/T, RM

Kelly Brenna · Kraus-Anderson Insurance
HDB, LDI *Page 7*

David Briggs · Benefit Strategies Group
HDB, LDI, RPP

Carol Brown · The KNW Group
HDB, LDI

Michael Burress · Benefit Strategies Group
HDB, LDI, BII, RPP

Stephanie Cappelleri · Simply Benefits
HDB, LDI *Page 9*

Jolene Carlson · The KNW Group
HDB, LDI

Katie Carlson · Associated Financial Group

Steve Caster · Towers Watson
HDB, LDI

Kelly Chillstrom · Woodhill Financial
HDB

Trever Christian · DS&B Financial Services
RPP

Jonathan Cich · Associated Financial Group

James Clairmont · Clairmont Financial Group
HDB, RPP *Page 9*

John Cleveland · Cleveland Company
LDI, HDB *Page 7*

Kristin Conrad · Edinburgh Financial Group
HDB, LDI

David Cornell · Cornell Insurance Services
HDB, PCI, LDI, WC

Steven Dabelow · Armbruster Executive & Employee Benefits
HDB, LDI

Mike Diede · Benefit Partners

Robert Dockman · Omega Benefits Group
LDI, HDB

Carol Dorn · Advanced Capital Group Benefits & Risk Consulting
HDB, LDI *Page 9*

Tim Dunleavy · Wells Fargo Insurance Services
HDB, LDI, RM

Carole Elfstrum · Elfstrum Consulting
HDB, PCI, LDI, WC

Susan Ellingson · Above & Beyond Benefits
HDB, LDI

Brian Emswiler · Long Term Care Insurance Advisors
HDB, LDI, RPP

Johan Eriksson · Morgan Stanley Smith Barney
RPP, LDI

Jayme Fanucci · Unison
HDB, LDI

Liz Faulstick · Cates + Ohme Associates
HDB, LDI *Page 8*

Bret Felknor · Felknor Financial Group
HDB, RPP, LDI

Tracy Field · David Martin Agency
HDB, LDI *Page 6*

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Sean Fitzgerald · The RiverBank Insurance Center
HDB, PCI, LI, WC *Page 9*

Elizabeth Ann Flynn · Unison
HDB, LDI

Mike Fortner · Bloom Health
HDB

Jaime Frischmann · Wells Fargo Insurance Services
HDB, LDI

Lars Froiland · Builders Insurance Group
HDB, LDI, RPP, WC

Felicia Fuller · Hays Companies
HDB, LDI

Patricia Gascoigne · Hays Companies
HDB, LDI

Andrew Gellman · Andrew Gellman & Associates
HDB, LDI

Paul Giannobile · Focus Financial
RPP

Kathryn Gigler · AdvisorNet Financial
HDB, LDI, RPP

Allan Glad · Benefits Solutions Plus
HDB, RPP, LDI *Page 8*

Randy Gort · Hays Companies
HDB, LDI

Kim Groomes · Unison
HDB, LDI, RPP

Pierre Guilfoile · HealthPartners
HDB, RM, RPP

Darryl Gullickson · Darryl Gullickson Agency
HDB, LDI

Greg Haffely · RJF/Marsh & McLennan Agency
HDB

Helen Hamble · Hamble Insurance Agency
HDB, LDI

Troy Hanratty · Hanratty & Associates
HDB, PCI, LDI, RPP

Chris Hansen · Hanratty & Associates
RM, HDB, LDI, RPP

Sarah Hartneck · Associated Financial Group
Page 9

Dane Haugen · Hays Companies
HDB, LDI

Jean Hegarty · Foster Klima & Company
HDB, LDI, RPP

Jon Heidorn · Associated Financial Group

Amanda Heinsohn · Financial Concepts
HDB, LDI

Erik Hinz · Associated Financial Group
Page 9

Mary Jo Hoff · Corporate 4 Insurance Agency
HDB, PCI

Michele Hren · Advanced Capital Group Benefits & Risk Consulting
HDB, LDI *Page 9*

Corrina Jacobson · Meritain Health/Aetna Company
HDB, LDI

Wade Johnson · Wells Fargo Insurance Services
HDB, LDI

Yvonne Johnson · Gallagher Benefit Services
HDB, LDI

Kathy Kamp · CBIZ Benefits & Insurance Services
HDB, LDI

Amy Karlen · David Martin Agency
HDB, LDI *Page 6*

Michael Kasel · Associated Financial Group
HDB, LDI

Patrick Keaveny · Business and Healthcare Strategies
HDB, LDI *Page 8*

Stephanie Kilmer · Schreifels & Associates
HDB, LDI *Page 9*

Thomas Kingston · Affiliated Benefit Group
HD, LI, LDI *Page 9*

April Klein · Associated Financial Group

Elizabeth Klimmek · Unison
HDB, LDI

Ginie Klopp · Kraus-Anderson Insurance
HDB, LDI *Page 7*

Peter Knoll · The KNW Group
HDB

Rex Kohl · Associated Financial Group
RPP

James Kohout · Jim Kohout Agency
HDB, RPP, LDI

Margaret Kolb-Tavis · David Martin Agency
HDB, LDI *Page 6*

PK Kriha · RJF/Marsh & McLennan Agency
HDB, LDI, RM, PCI

Justin Kroeger · Flexible Benefit Consulting
HDB, LDI *Page 10*

Lori Lance · Armbruster Executive & Employee Benefits
HDB, LDI *Page 10*

Chuck Larson · Employee Benefits Consulting Group
LDI

Craig Larson · Larson Financial Advisors
RPP, HDB, LDI

Jim LaTour · Strategic Employee Benefit Services
HDB

William Lehnertz · TLC Financial
HDB, LDI, SS/T

Mark Lerman · BW Insurance Company
HDB, LDI, PCI, WC

Natalie Leuck · RJF/Marsh & McLennan Agency
HDB, LDI

Bernie Mackell · Mactavish Benefits
HDB, LDI *Page 8*

Michelle Maher · Cleveland Company
HDB, LDI *Page 7*

Nick Mahlberg · Associated Financial Group

Tim Marks · North Star Consultants
HDB, LDI, RPP

David Martin · David Martin Agency
HDB, LDI, RPP *Page 6*

Lisa Martin · Martin Financial Services, Inc.
PCI, RM, RPP, LDI

Jill McDonough · Wells Fargo Insurance Services USA
HDB, LDI

Chris McKenzie · Associated Financial Group

Karwyn Meyer · Cleveland Company
HDB, LDI, SS/T *Page 7*

Tom Miller · Financial Concepts
HDB, RPP

Randy Morgan · Christensen Group Insurance
LDI, PCI, RPP

JoAnne Mueller · Hays Companies
HDB, LDI

Daniel Mulheran · The KNW Group
RPP

Julie Munkelwitz · Fringe Benefits Design of Minnesota
HDB, LDI *Page 9*

Marty Nanne · The KNW Group
LDI

Kathleen Nielsen · David Martin Agency
HDB, LDI *Page 6*

Melissa Niemackl · Unison
LDI, HDB, RPP

Sheila Nordquist · Christensen Group Insurance
HDB, LDI

Eric Nuytten · Associated Financial Group

Dan Ohme · Cates + Ohme Associates
HDB, LDI *Page 8*

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James Olson · Edinburgh Financial Group
HDB, RPP, LDI

Tammy Olson · David Martin Agency
HDB, LDI *Page 6*

Brenda Osowski · Associated Financial Group
HDB, LDI

Amy Ostergaard · Cleveland Company
HDB, LDI *Page 7*

Lisa Ottmar · Bearence Management Group
HDB, LDI

Ellen Peterson · Corporate Insurance Associates
HDB, LDI

Lynn Peterson · David Martin Agency
HDB, LDI *Page 6*

Timothy Pirner · David Martin Agency
HDB, LDI *Page 6*

Benjamin Pitzl · Christensen Group Insurance

Charles Prokop · CSP & Associates
LDI, RPP

Chris Quimby · David Martin Agency
HDB, LDI *Page 6*

Greg Rieckhoff · Beneficial Solutions
HDB, RPP

Daniel Rivkin · Financial Concepts
HDB, LDI, RPP

Gregory Rogers · Greg Rogers Insurance
HDB, LDI, PCI, SS/T *Page 10*

Eric Ronning · Channel Financial
RPP

Dustin Rossow · Associated Financial Group
Page 10

Allan Roth · A.T. Group
HDB, LDI

Erika Royer · Wells Fargo Insurance Services
HDB, LDI

Gregory Sailer · Sailer Benefit Services
HDB, PCI, LDI, WC

Lisa Scamehorn · Strategic Employee Benefit Services/Bohannon Group
HDB, LDI, RPP

Timothy Schatz · MN Health Insurance Network
HDB, LDI, PCI

Gene Schmidt · Individual & Corporate Needs Agency
LDI, HDB

Aaron Schmitz · Donald B. Schreifels & Associates
HDB, LDI

Robert Schmitz · Schreifels & Associates
HDB, LDI, RPP *Page 10*

Donald Schreifels · Schreifels & Associates
LDI, HDB

Paul Schrupp · CBIZ Benefits & Insurance Services
HDB

Dale Schumacher · Baker Tilly Investment Advisors
RPP *Page 10*

Charles Seivert · Cornerstone Benefits
HDB, LDI, PCI, WC

Mary Setter · RJF/Marsh & McLennan Agency
HDB, LDI

Lincoln Shea · Benefit Management Consultants
HDB, LDI, BII, SS/T

Jennifer Sherman · Flagship Insurance & Financial Services
HDB, LDI

Bill Singer · A.T. Group
HDB, LDI

Linda Skoglund · JA Counter & Associates
HDB, LDI, RPP

Jim Small · Evergreen Benefit Services
HDB, LDI

Bret Smallman · Business Benefit Solutions
HDB, LDI, PCI, RPP

Holly Smith · Associated Financial Group

Tim Smith · Maguire Agency
HDB, LDI, RM

John Sonnek · Johnson McCann
RM, HDB, LDI

Mark Steege · Sage Beacon Partners
HDB, LDI, RPP

Bob Stein · Benefits Design Group
HDB, RM *Page 10*

Will Steinke · Christensen Group Insurance
RPP, PCI

Clyde Stockey · Associated Financial Group

Dennis R. Stolp · Comprehensive Benefits
HDB, LDI, RPP

Steve Storkan · WNB Trust
RPP

Steve Strege · Associated Financial Group

Todd Swanson · First Signature Services
RPP, LDI, HDB

Rick Thill · Associated Financial Group

Patrick Tollefsrud · Associated Financial Group
HDB, LDI, RPP, RM *Page 10*

Stephen Tousley · Bearence Management Group
HDB, LDI, BII, RPP

John Truckenbrod · First Advisors
RPP, HDB, LDI, SS/T

Craig Ulrich · Groups Plus
HDB, LDI

Jordan Van Cleef · AdvisorNet Benefits

George Vander Weit · Corporate Health Systems
HDB, LDI

Mark Walch · DCI/Clientserv
HDB, LDI

Clay Wallace · Clay & Rock
HDB, LDI, RPP

Stephen Warner · Affiliated Benefit Group
HDB, LDI *Page 10*

Lindsay White · Associated Financial Group
HDB, LDI

Dennis Williams · Dennis Williams
HDB, LDI, RPP

Diana Williams · The KNW Group
HDB, LDI, RPP

Christopher Woodis · Nelson Woodis & Sullivan
HDB, LDI, RPP

Tony Zantua · JA Counter & Associates
RPP

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— Five Star award winner

David Martin Agency (DMA) Team

Congratulations to Our Ten 2012 DMA Five Star Recipients

Left to right: 2012 winner Margaret Kolb-Tavis; two-year winner Amy Karlen; three-year winners David Martin, Timothy Pirner; two-year winner Lynn Peterson; three-year winner Tammy Olson; two-year winners Jodi Berge, Kathleen Nielsen; Seated: Three-year winners Tracy Field, Chris Quimby

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Our mission is to increase the value of business and improve the lives of employees by providing benefit programs and services in the most expert, ethical and affordable way possible. Contact us today for information.

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Left to right: Three-year winners John Cleveland and Michelle Maher, two-year winner Karwyn Meyer and 2012 winner Amy Ostergaard

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Left to right: Three-year Ginie Klopp, two-year winner Jim Klym, three-year winner Kelly Brenna and 2012 winner Justin Voerster

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Left to right: Two-year winners Liz Faulstick and Dan Ohme

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Dan Scattarella

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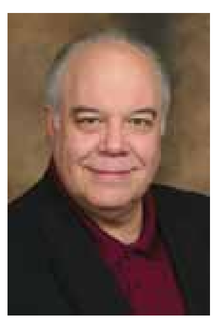

Patrick J. Keaveny

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Bloomington, MN 55425
Direct: (612) 867-0826
pkeaveny.bhs@gmail.com
www.bhs-1.com

Pat has more than 30 years of expertise in employee benefits, having helped a wide variety of businesses reduce and manage healthcare costs, maintain or improve benefits quality and simplify benefits administration challenges. BHS provides unique strategies that many businesses have not seen before.

Bernie Mackell

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Where others offer opinions on how to fix health plans, Mactavish Benefits offers proof. With 33 years of experience, Bernie's company fixes health plans. Mactavish Benefits has revolutionized the way health plans are designed and utilized by participants. Mactavish Benefits delivers custom solutions that produce sustainable results.

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> *— Five Star award winner*

Julie Munkelwitz
Fringe Benefits Design of MN
7760 France Ave. S, Ste. 810
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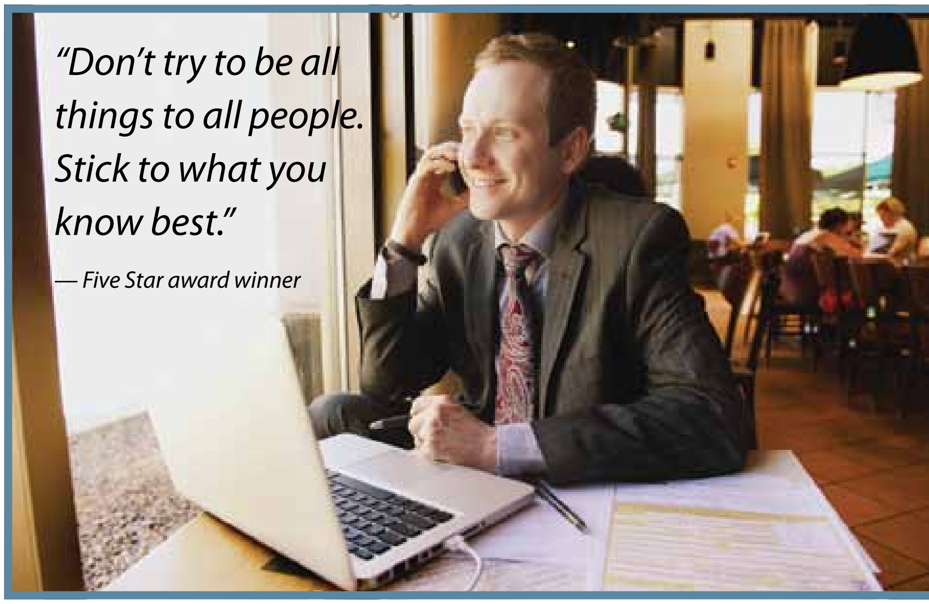

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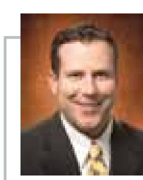

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Jane Johnson
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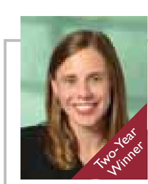

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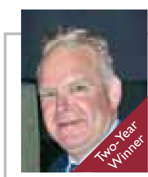

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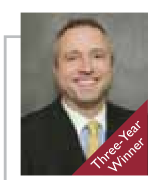

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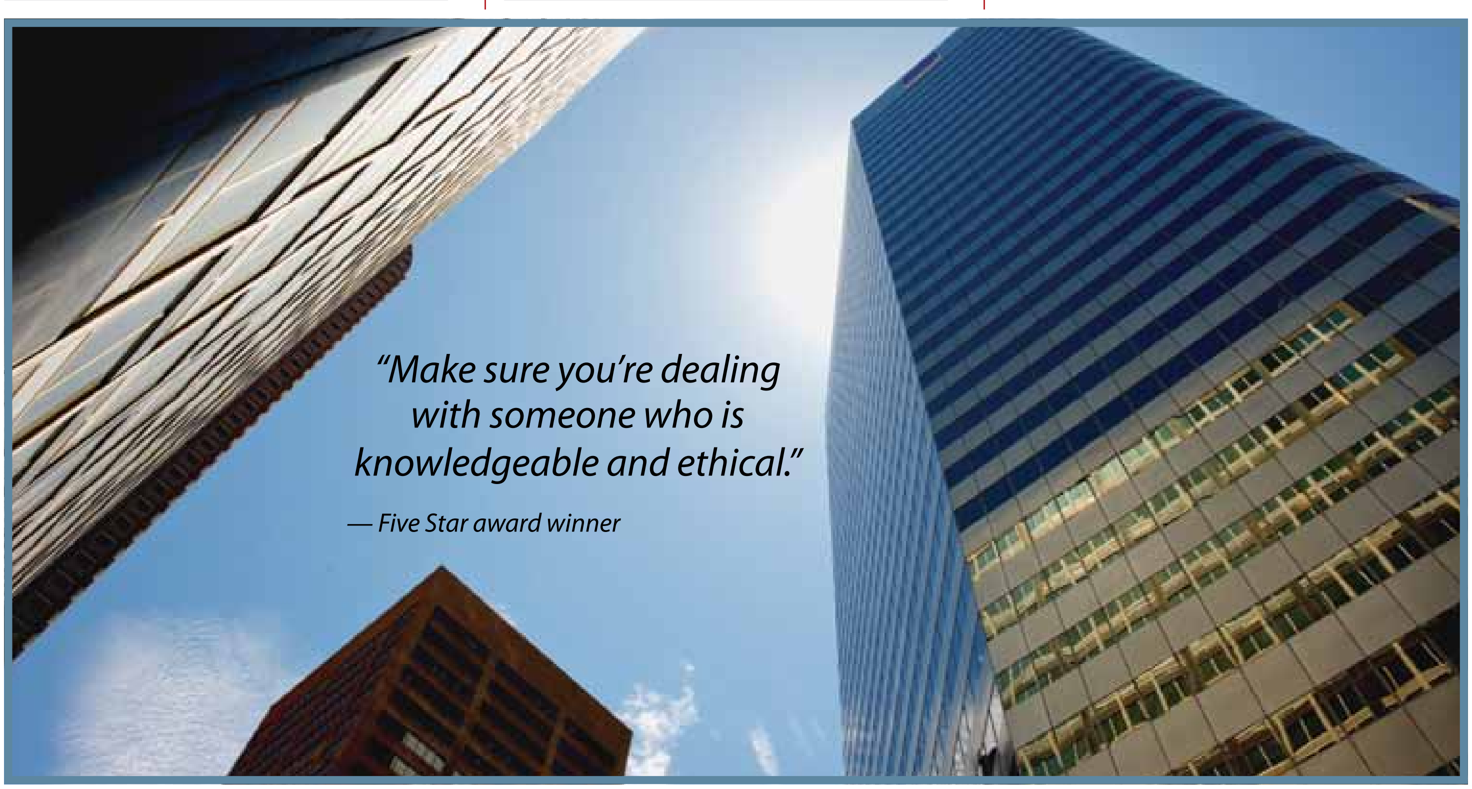

Going for It

How Code 42 learned to get over its aversion to venture capitalists.

Why would a Minneapolis software company run by folks with a low regard for venture capitalists and who didn't need the money agree to one of the top 10 largest venture capital deals in local memory?

The short answer is that they saw an opportunity to be a billion-dollar company and they decided to go for it.

The company is Code 42, producer of a suite of data backup and security products called CrashPlan. I happen to be a happy CrashPlan customer, but the first I'd actually heard of the company was through a news release announcing a $52.5 million series A financing round led by Accel Partners, a Palo Alto, California, VC firm best known for its early funding of Facebook.

The money was the first outside investment of any kind in Code 42's 10-plus-year history. The company declines to say how much stock was sold for $52.5 million, but my best detective work puts it at about 20 percent. That leaves the founders very much in control, which was important to them.

Mike Evangelist, Code 42's chief marketing officer, doesn't suggest that anybody at his firm disliked venture capitalists, and he volunteers that they greatly enjoy the working relationship with their new partners, including Mike Gorman of Split Rock Partners, the other firm in the deal. It's just that there was enough experience with Silicon Valley and the venture community that they were wary of the whole idea. Evangelist's own background includes three years of commuting from Minnesota to Apple in Cupertino.

Code 42 executives weren't willing to take VC money if it required them to change their company's culture. Their single biggest concern was that the venture investors would seek to get their money out, most likely via a sale, and the leadership did not want their company dismantled and shipped to California. Says Evangelist: "We like it here and intend to stay."

In addition to concerns about culture and control, Evangelist says that until recently, he and his colleagues didn't have good plans on how to spend venture money. Seeking to come up with the right word to describe the spending culture at Code 42, Evangelist settles on "conservative." Since its founding in 2001, the company has been entirely bootstrapped, funding itself as a digital job shop until CrashPlan took off in late 2007.

Once that happened, it certainly did not have to seek out venture capitalists. Evangelist says that Code 42 cofounder and CEO Matthew Dornquast "had pretty much been barraged by VCs and equity firms and loan sharks who saw what we were doing and wanted a piece."

Can Code 42 be a billion-dollar company? 'It has that kind of potential,' investor Mike Gorman asserts.

Gorman got to Code 42 by being a CrashPlan customer. He says any professional investor seeking opportunity in the data protection software segment would quickly conclude that Code 42 was a likely big winner. For the past several years, Gorman has met several times a year with Dornquast to share information and build trust.

By 2010, Code 42's leaders discovered that their little cost-effective and consumer-oriented backup software was much admired by large companies as well as consumers and skinflint small-business owners like themselves. That list of customers grew to include the likes of Google and Adobe.

Code 42 CEO Matthew Dornquast was wary of investors changing his firm's culture.

They could see from looking at financial statements what others in their market were spending on customer acquisition and product development. "We had come into that arena and competed effectively," Evangelist says. "So we asked ourselves, 'What if we spent twice as much?'"

Reviewers of CrashPlan routinely praise its flexibility and ease of use. One of the key features of CrashPlan is that it can deliver data to its own cloud, a private cloud run the enterprise, other computers or devices under the user's control, or any combination of the above. (Big companies tend to set up CrashPlan to deliver data to their own clouds.) CrashPlan also fits nicely in yet another hot tech trend, the "consumerization of IT"—the flood of consumer devices such as iPads and smartphones that employees in big organizations are using daily in their work.

Last year, the Code 42 team realized that its flagship product offered more than an automatic data backup. For CIOs and other senior executives at big companies, CrashPlan presented the potential to know in real time what data a company has, how that data was moving among employees, and the various devices they used. That would make CrashPlan a true backbone application. You don't need to be Bill Gates to know that is a very big deal.

So here was this opportunity, says Gorman, "big enough, lucrative enough, and near-term enough" for the Code 42 team to conclude, "Let's go for it." The downside? According to Evangelist, spending money for additional data centers abroad, more development staff, more marketing depth, and more sales staff to call on large enterprises. At the same time, all of this spending struck the management team as relatively low-risk, given the momentum of its products.

It is significant that Accel Partners, the venture firm behind Facebook and Groupon, made its Code 42 investment the first deal out of its $100 million Big Data Fund. This fund is an allocation of capital for start-ups that Accel thinks can be big winners providing solutions for managing the explosion of data generated by video, blogs, social networking, and numerous other applications. Can Code 42 be a billion-dollar company? "It has that kind of potential," Gorman asserts.

So for Code 42, now with real money in its checkbook, the pace is picking up. Evangelist says he just got to the point where he did not know everyone's name, as the company has broken the 100-employee mark. He says that Dornquast and the leadership team remain intent on preserving their bootstrapping mentality. When the deal was announced, he says, Dornquast told staff that despite more than $50 million in cash, "we still can't afford to buy pens." **TCB**

Lee Schafer (lee@sargentadvisorsllc.com) is managing director of Minneapolis-based Sargent Advisors, which guides clients on growth strategy, mergers and acquisitions, and licensing and joint venture opportunities.

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BY MARK W. SHEFFERT | INSIGHTS ON CORPORATE LEADERSHIP, GOVERNANCE, AND ETHICS

A Fish Rots From the Head

When an organization fails, leadership is the root cause.

An ancient proverb states: "A fish rots from the head down." For centuries, various philosophers have taught that when something stinks in an organization or government, the stink generally started at the top.

This proverb appears to be metaphorical rather than literal, but my intent is not to get into a biology lesson. Instead, I want to discuss why the ability of the head of an organization—specifically, boards and C-level management—to provide competent leadership is the most important factor in an enterprise's success.

It's curious that so much emphasis is placed on the structure and systems of business—quality assurance and control processes, strategic planning, organizational systems, continuing education. Yet businesses continue to fail, recession or no. With all the knowledge and training available, as well as armies of consultants with expertise on any given subject, there really is no excuse—in theory, at least—for any business to ever fail.

Yet they do—by the hundreds, each year. Why?

I said I wasn't going to talk biology, but I need to do it to make my point. The word "organization" is a derivative of the word "organism," which means that organizations are like any other living body. Sometimes the leadership of the enterprise (the head) fails to lead the human systems (the heart) to work in sync with the business systems (the body). In order to create symmetry in the long run, leaders must not only lead the body of the organization, but also the heart of its people.

Let's look at a case study from IBM, which in the early 1990s was losing billions of dollars. A former pacesetter fading into history, IBM hired a new chairman and CEO, Louis Gerstner, in 1993. He was an outsider, coming to IBM with experience gained at McKinsey, American Express, and RJR Nabisco.

Although it wasn't immediately apparent to him, Gerstner now says that it wasn't IBM's capabilities, technical competence, or processes that contributed to its successful transformation from a products-led to a services-led organization. Rather, it was the company's focus and values of "providing solutions" to customers that led to its eventual turnaround.

"It took me to age 55 to figure that out," Gerstner told a gathering of Harvard MBA students in 2002. "I always viewed culture as one of those things you talked about, like marketing and advertising. It was one of the tools that a manager had at his or her disposal when you think about an enterprise. The thing that I have learned at IBM is that culture is everything."

Gerstner's leadership abilities to orchestrate changes in strategy and systems in harmony with IBM's culture and corporate values were what led IBM through its repositioning and turnaround. He transformed a giant organization built on individualism and decentralization into a team-based, customer-focused, agile, and adaptable company. How? By not ignoring the company's people while he was performing surgery on its business systems.

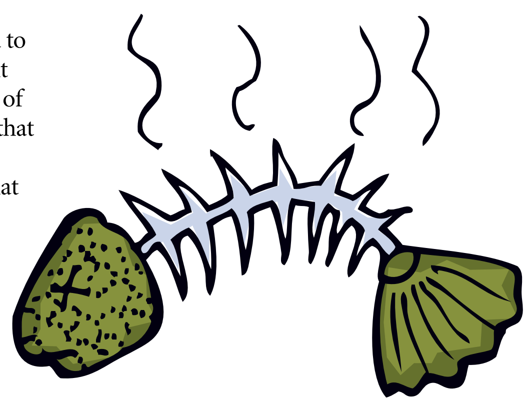
In my line of work, I get to see the big, the bad, and the ugly in the business world, so I could easily provide hundreds of examples of bad leadership. But I don't need to, because all you need to do for that is read your local newspaper to get your daily dose of rotten fish.

ON THE WEB

Read Bill George's blog post on the *Harvard Business Review*'s website discussing America's strength in developing leaders: **http://bit.ly/AnYfOn**

Instead, I'd cite another positive IBM-type example from Bill George, the former chair and CEO of Medtronic, whom I came to know when we shared a presentation to an audience of executives and corporate directors on the topic of business ethics.

Bill, who now is a professor of management practice at Harvard Business School, recently posted a blog in which he wrote that "collectively one of the competitive advantages of America's business leaders is our unique leadership in developing the next generation of global business leaders."



In theory, there really is no excuse for any business to fail. So why do they? Start at the top.

Bill notes that our country's higher education system is a magnet for top business talent from all around the world. U.S. companies are hiring executives with diverse and global backgrounds in much greater numbers than non-U.S. companies. In addition, we are sending our most promising leaders abroad to gain global experience, and non-U.S. companies are relocating their research units here to take advantage of American talent. It's this type of executive leadership that will maintain American business's success in a global marketplace for the long run.

Some business leaders try to make business seem so complicated, but at the end of the day, business is simply what each person does—every single day in their job, as part of the whole. To use my fish analogy again, it's like a salmon with muscles, organs, bones, cells, and nerves all working in concert with one another to swim upstream.

When the head is leading the rest of the body in harmony, all goes smoothly and it achieves its goal to reach its spawning grounds and keep the species alive for another generation. But if the head forgets its goal or isn't paying attention, it is quickly devoured by a hungry grizzly.

I want to be clear that I'm not talking about rah-rah motivational speeches, company picnics, and reward programs, which all have their place. Rather, I'm talking about visionary, thoughtful, deliberate leadership that demonstrates to all the elements of the organizational body what is valued, what is important, and what is to be done first. Healthy leadership occurs when the human systems are effectively connected with the business systems to mobilize people to work together with purpose and achieve common goals and success. This can only happen when the head is paying attention. When it's not, the body starts to rot and—stink, too **TCB**

Mark W. Sheffert (mark@manchestercompanies.com) is chairman and CEO of Manchester Companies, Inc., a provider of financial-advisory, corporate-renewal, and performance-improvement services.

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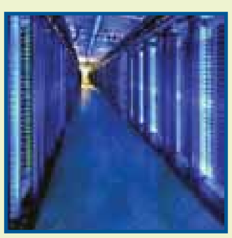

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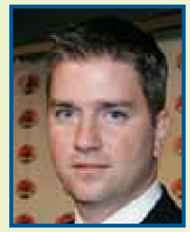

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former CTO, **Best Buy**; Founder, **Geek Squad**

$50+ Million VC-Backed Cloud Storage & Data Firm

Matthew Dornquast
CEO
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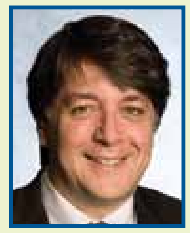

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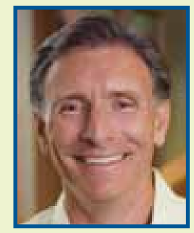
Mark Shavlik
Founder
Shavlik Technologies



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Andy Slavitt
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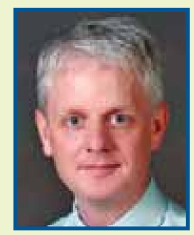

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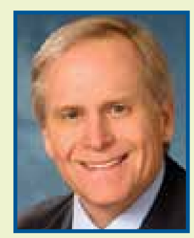

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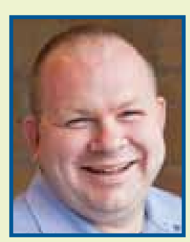

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open letter

BY VANCE K. OPPERMAN

‘Til Constitution Do Us Part

Why opposing gay marriage is bad for Minnesota.

To: Average Minnesota Voter
Lakeville, Minnesota

Dear Fellow Voter:

Our friendly state politicians have put on the ballot an unwelcoming, business-unfriendly, constitutional amendment for all of us to vote on this November. I hope we all vote no. This proposed amendment would define the custom of marriage. In thinking about this issue, I am struck by my own evolution on this essentially private concern.

> “You do not create an **innovative urban culture** by being unwelcoming and actively discriminating against people based on their affectional preference.”

In the spring of 1971, I attended a lunch meeting of the Ramsey County Bar Association at the old St. Paul Athletic Club. The speaker was a university student by the name of Jack Baker, who had just been elected as the first gay student body president of any university (he was later reelected). Jack Baker told this well-attended luncheon that he planned to marry his partner, James McConnell, an employee of the University of Minnesota library system. His remarks were met with, to put it mildly, derision. And most of us left the luncheon thinking it was one of the crazier ideas we had ever heard.

The Minnesota Supreme Court agreed with our consensus and found in the case of Baker v. Nelson, 191 N.W. 2d 185 (1971) that marriage could not take place in Minnesota between same-sex couples. Our liberal and enlightened University of Minnesota fired Jim McConnell for the “antic” of publicly applying for a marriage license, and that firing was upheld by the Eighth Circuit Court of Appeals in McConnell v. Anderson, 451 F.2d 193 (1971). There is an antiquated, almost Victorian tone to these cases today, somewhat akin to regarding a rotary telephone as the biggest technological marvel of its day (right after black-and-white television).

In the years after I listened to Jack Baker’s not-well-received luncheon address, I learned that one of my high school friends was gay. Some of the best parents I met at my daughter’s school were in committed gay relationships. One of the finest and smartest lawyers I ever had the benefit of working with turned out to be gay (and later got married in Canada to his long-time partner). And so my views evolved along with our society and culture.

For many years, marriages were prohibited between the races, by the so-called anti-miscegenation statutes. The last of these was only overturned in 1967. Adultery, or as it was called in Minnesota, “criminal conversation,” was prohibited by statute, and criminal penalties applied. These laws are no longer enforced. (And good thing, given the well-documented cavorting by a number of politicians, some of whom are very quick to condemn other people’s cavorting.) Other examples of our evolving culture and society are not hard to find.

In 2005, Canada became the fourth country in the world to legalize same-sex marriage—eight of ten Canadian provinces had already done so. A number of other countries have followed suit, including Belgium, Iceland, the Netherlands, Norway, Portugal, Spain, Sweden, Brazil, and Mexico. In the United Kingdom, the present government has announced its intention to introduce same-sex civil marriage by the next general election. According to the Scottish Parliament website, the Scottish government has already decided to recognize same-sex marriages.

A growing number of Protestant denominations including the Minneapolis Synod of the Evangelical Lutheran Church in American (ELCA), the United Church of Christ, and the Unitarian Universalists have approved celebrating the sacrament of marriage for gay members of their congregations. A number of Jewish temples have adopted resolutions opposing governmental bans on gay and lesbian marriage, and recognizing these unions.

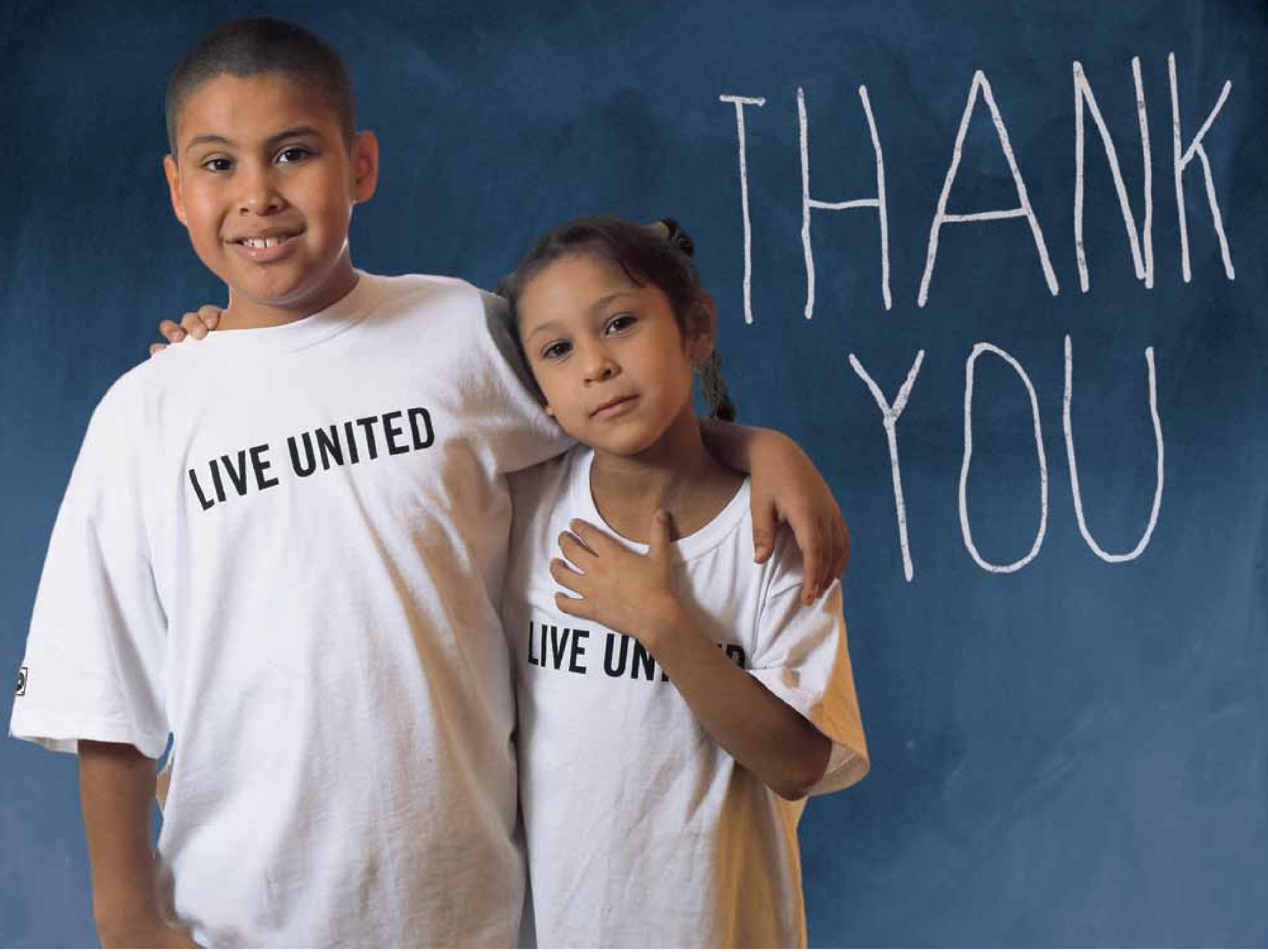
Much has been written about the importance of creative clustering in building a dynamic 21st-century economy. You do not create an innovative urban culture by being unwelcoming and actively discriminating against people based on their affectional preference. Richard Florida’s book *The Flight of the Creative Class* argues that the United States built its creative lead in the world economy on the people it attracted to its shores. To regain that lead in a global economy, we need to harness the creativity of all human beings and, in particular, to build on the traditional openness of our American society.

And that openness, which has typified the best of America, is what drew many of us to the state of Minnesota, and why we remain. Maybe it’s the winters that force a type of communitarian ethic. Perhaps it’s difficult to put on airs when you’re wearing a parka. It may be that you don’t much care about the affectional preference of the person who is shoveling your driveway or helping you get your car out of a snowbank. But whatever it is, it is one of the valuable and unique things about Minnesota.

We are not going to change the Minnesota Constitution to engraft old and unwelcoming customs into our society; we are better than that.

Vance K. Opperman,
A “No” Vote

Vance Opperman (vopperman@keyinvestment.com) is owner and CEO of MSP Communications, which publishes Twin Cities Business.



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