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Wonder Wonden

Five trailblazing business leaders who are also mentors, community stewards and more.

TICKET TURMOIL

Inside the wild wild west of the ticket resale business and how teams and venues are pushing back.



Heather Manley, president and CEO, On-Demand Services Group Inc.



Join us as we honor women who are trailblazers within their respective fields, accomplished and highly respected by their employers, employees and colleagues for their professional acumen and achievements.

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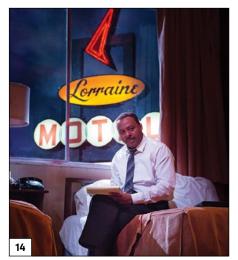




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This former lumber town has rebuilt itself as a high-speed regional center of enterprise—without sacrificing its "lumberjack" character. Page 37.

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Boat sales make waves in Minnesota's economy

2017 Small Business Success Stories Political influence on Minneapolis' business climate Minnesota colleges work smarter

Cover photo by Travis Anderson

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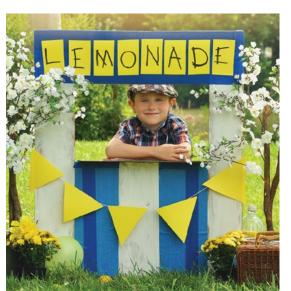
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EDITOR'S NOTE By Dale Kurschner



New Year, New Business?

America needs more entrepreneurs, and starting a company is well worth the effort.

hether you're happy at your job or feel like there's more you'd like to do but can't where you are today, chances are you've thought somewhere along the line about starting a business. It might have been a brilliant new idea you believe would surely sell. Or perhaps you thought about a service that you could deliver much better

than what's out there today. Wages are finally beginning to rise and employers are doing more to attract and keep talent. But given how much the economy appears to be warming up, it's also a good time to start a business—not to mention that the U.S. needs more startups.

New businesses are at a 40-year low, according to 2014 U.S. Census data, the most recent available. Startups historically have accounted for much of the hiring in the U.S.,

> and they create new avenues for commerce, which ripples through their suppliers and complementary peers. So if you have a skeptical spouse, you can tell him or her you're finally going to start a business not just for yourself, but for the good of the country!

Seriously, though, the best reason to start a business is that there's nothing more exhilarating. Once you do, you'll wonder why you didn't do it sooner. Launching, and then making it work, can take every ounce of your being. But you will find that it enriches your life both professionally and personally.

Any would-be entrepreneurs should ask "how do I want to start," just like when you're starting out in the board game Life. In this game, you can set out to do something that makes a comfortable living and that's it, or shoot for doing something epic.

I recommend the latter. It conditions one to constantly think ahead, handle surprises and

nimbly modify strategy to stay ahead of the competition. You may end up with a business that doesn't grow all that robustly after all. But starting out too passive is one reason up to 50 percent of startups don't last beyond four years.

Either way, if you're one of the thousands who are thinking this will be the year to start your own concern, here are some tips to consider based on my experiences, as well as stories we have reported over the years on entrepreneurs ranging from Life Time Fitness's Bahram Akradi to Maud Borup's Christine Lantinen.

Before you start

Ask yourself:

- Is this what you feel most passionate about spending your time on? The answer must be yes.
- Is this something that addresses a need?
- Can this scale into something really big?
- How long can you go without financial stability, or even a paycheck at times?
- Make sure you are physically and mentally ready to do this.
- If you're married, make sure your marriage is strong

enough too.

 Realize this will become just as important and emotional as having a child.

Before you launch

- Gather a ton of relevant intelligence—know your niche and industry inside and out.
- Understand your customers or clients—and everything else they're buying/being asked to buy that's similar to what you're going to provide.
- Study the competition—and not just online! Your best intelligence comes from other people.
- Understand all legal, financial and regulatory requirements: local, state, federal and international.
- Don't go solo: Start with a great team (and a partner, if possible). If nothing else, make sure you have close advisors; then you can consider finding good partners and employees.
- Run questions and issues by a lawyer who knows this space.
- Articulate your vision, mission and purpose in a good business plan, complete with a thorough description of the need your company will uniquely address, estimated universe of people who can benefit from your product/ service and bios of the people who will make this happen.
 Bankroll more than you think you'll need
- Bankroll more than you think you'll need.

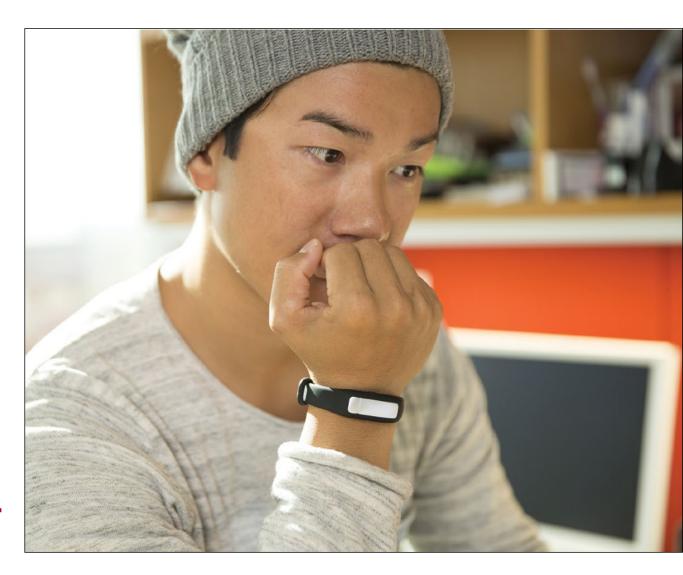
When launching

- Always have three plans of action for major moves, such as seeking financing, strategic partners, excellent talent or other elements critically important to your business. I launched a business with plenty of capital and a wealthy investor who was set to invest more. Within nine months, I learned my head of sales was providing false reports (sales were much lower) and my deep-pockets investor was going bankrupt. Luckily, I had a plan B (another wealthy investor) and C (another media company). I went to B, he was all set to buy in and then at the last minute his lawyers said he couldn't due to a conflict of interest. This led to Plan C, which worked.
- Schedule time every week to work on the business, not just in the business. Entrepreneurs need to do more of the hands-on work in the beginning, but this can suck up so much time they have little or none left to do what they need to do most—continue strategizing.
- Plan the time necessary for your upcoming crash course in leading people, managing financials, recruiting, sales and marketing, law as it pertains to your industry, accounting, public relations and more.

Even with this fairly lengthy list, well-chosen steps and carefully prepared plans, there will be a wide range of surprises that come up—some good, some potentially detrimental. Just remember that it's the journey that will matter the most, and to enjoy it! tcbmag

STARTERS { news • trends • personalities }

Edited by Adam Platt



Breaking Bad Habits

One local startup wants to help rid you of those stress-related impulses.

■ Aneela Idnani Kumar says the genesis for Keen—a Fitbit-shaped device that aims to stop nervous habits like nail-biting and skin-picking—came when her husband, Sameer, confronted her about her disappearing eyebrows. For more than two decades, Aneela had been suffering from trichotillomania, a disorder more commonly known as hair pulling. "From that moment, Sameer and I started talking more about it, and he did his own research," Aneela says. "Eventually, one day I said I wished I had something to alert me when I was reaching to pull my hair." Sameer soon discovered case studies that had followed a similar idea. "In one case, someone had built a proximity detection device where you'd wear one thing on your neck and one thing on your hand, and they'd trigger when they got near each other," he says. "The devices were big and clunky, but they worked." The duo consider themselves "techies"—Aneela is a mobile app developer and Sameer specializes in investment analysis and corporate strategy—but neither had the know-how to build a device that would vibrate when certain micro-gestures occurred, like the motion of pulling at eyebrows.

They brought in John Pritchard as lead hardware engineer and Kirk Klobe as lead software and firmware engineer, and the four founded HabitAware, a Minneapolisbased startup that developed the Keen subconscious-behavior tracker. After shipments begin in late January, Sameer, who is CEO, says the company's goal is to sell between 10,000 and 20,000 of the devices which are worn on the wrist—in its first year. To do so, he says HabitAware won't be focusing on just the Americans with stressrelated bad habits (up to 3 percent, according to bfrb.org, a website for people with body-focused repetitive behaviors). "We're also targeting psychologists, dermatologists, pediatric dentists and general practitioners," he says, "all of which have expressed interest in our product for their patients."

Of pre-orders to date, half are destined for children. "Even a bad habit like thumbsucking is a concern with kids," Sameer says. "So we made sure our device could fit children age 5 and even younger." —Sam Schaust

Nicollet Maul

Business is bad as street renovation drags into year three.

■ Downtown Minneapolis boosters tout the future look and feel of the Nicollet Mall, once its \$50 million overhaul is complete. But many business operators in the corridor are exasperated with the ongoing disruption and loss of sales.

"It's been a tough time," says Shane Higgins, general manager of Brit's Pub, which has been a mall fixture since 1990. Higgins says that the biggest sting has been the lack of patio seating in front of the bar on the mall.

"We have seating for 100 people outside," says Higgins. Without those customers, he says, Brit's did not need as many employees during the 2016 season. "It probably cost eight or nine people jobs this summer."

The mall was closed in July 2015 when a year-plus in underground utility work began; the schedule calls for the project to be substantially complete by fall 2017. But some cosmetic "final touches" including landscaping will be done in early 2018, according to Sarah McKenzie, a spokeswoman for the city. "There's been a big effect on business," says Brad Schwichtenberg, general manager of the Newsroom, another bar and restaurant on the southern stretch of the mall. "It's definitely been a major decrease in foot traffic."

Schwichtenberg says that some customers are confused about access, so they simply avoid the mall altogether. He declined to estimate lost sales.

There have been several restaurant closings along the mall since the project's start, though none have publicly blamed the construction: Masa, Vincent, Ling & Louie's, Ichiban Japanese Steakhouse & Sushi Bar and a Dunn Brothers coffee shop; a Five Guys has opened. Macy's is leaving in March and Barnes & Noble is closing as well.

As he looks out on the mall from his men's apparel store in the IDS Center,



business owner Bob White of Hubert White says that much of the time he doesn't see renovation work happening. "The process seems to be unbelievably slow," says White. "The frustration is that we don't see any activity and there's no sense of urgency."

White says that business remains solid during the week because the majority of his customers work downtown. But Saturdays are a different story.

"It's definitely had a negative effect.

Particularly the Saturdays when either the visitor or the resident who would be walking around is not doing that," says White. "I would say the Saturday business is down at least 20 percent."

And with the Macy's block headed for a multi-year redevelopment, more pain is to come. White is wary about announced timetables for the project's completion. "So far as I know . . . no deadline has even been met." *—Burl Gilyard*

Cow Pooling

Want half a cow? There's an app for that.

Who's up for splitting a cow?

Yes, we do mean splitting a cow. If you have wellness-conscious carnivores in your circle of friends, you just might see this question popping up in your social media feeds along with another phrase: the Cow Pool.

Launched late last fall by the Minneapolis-based Grass Fed Cattle Co., the Cow Pool is a web app that helps groups of friends and family organize purchasing grass-fed beef—by the cow.

After years of the beef industry dealing with yuck-filled controversies—E. coli in frozen burgers, pink slime, among others—the market for grass-fed beef is outpacing its industrial-produced sibling found in tubes and trays in the meat section.

"People want protein that's clean and honestly grown," says Abby Andrusko. She and her husband, Marcus, founded the Grass Fed Cattle Co. in 2008. The company developed a set of animal diet and welfare guidelines, and works with farmers who follow that protocol.

But savvy shoppers know that the best price per pound for grass-fed beef is usually found by purchasing a whole cow, which hasn't been an easy process. It means identifying a farmer, making sure their quality standards meet your expectations, finding a group to share the meat (sold by "take-home weight") and then driving to pick up your share. The hassle is often glossed over and the process "overly romanticized," Andrusko says.

The Cow Pool is meant to bring the romance back to cow portioning. Since

the Andruskos already maintain relationships with quality cattle farmers, consumers just need to set up a Cow Pool, invite friends to join with a link and select if they want an eighth-, quarter- or half-cow. Once a full cow has been claimed, credit cards are charged and buyers pick a time to receive their share at Grass Fed's 50th & France offices, where there's no risk of stepping in hay.

The price, no matter how much cow you get, comes to \$8.50 per pound. That might seem steep, but each share comes with soup bones, ribs, several cuts of steak and, yes, the liver.

On any given day, Andrusko says three to six cow pools are active. The company is exploring other pooling options, including a pool for shares of pastured pork and an eighth of a cow share that ships in smaller amounts for urban dwellers without much freezer space. —*Andre Eggert*



Macy's announced a

March closing of its historic Downtown Minneapolis store. It was sold to 601W Companies of New York for redevelopment.

Cirrus Aircraft delivered its first Vision personal jet

to an Arkansas real estate developer.

Amazon announced plans to hire 1,000 more full-time, permanent employees at its Shakopee distribution facility.

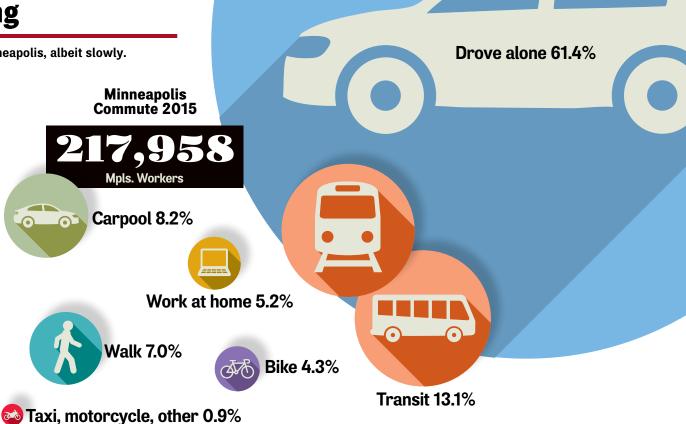
Coming and Going

Commuting modes are evolving in Minneapolis, albeit slowly.

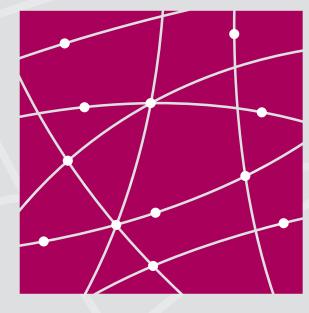
■ With bike lanes, apartment buildings and LRT lines sprouting all over Minneapolis, how are people getting to work? As you probably suspected, more are using two wheels.

Of the approximately 218,000 workers in the city about 5 percent work from home, and 7 percent are fortunate enough to be able to walk to work, according to 2015 Census Bureau data. That leaves roughly 190,000 folks battling a commute.

Of that group, the one mode that is growing is biking. It has almost doubled in popularity since 2005. Nearly 5 percent regularly navigate traffic on two wheels, according to Census data, although the number rises and falls with the weather. Move Minneapolis, an organization that promotes sustainable transportation, estimates 7,000 bike commuters gut it out and ride year-round. The city's Climate Action Plan



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Tetro Transit

number by 2020 with the addition of 30 miles of on-street protected bikeways. The Census Bureau reports the average commute time for the Twin Cities, factoring in all modes, is a paltry 23 minutes, up two minutes in the past 10 years—but laughable by Seattle or Chicago standards. While the solo ride to work

hopes to triple that

citywide remains the clear preference, mass transit is particularly popular for those who work in downtown Minneapolis, with about 40 percent using some form of transit to get to work, according to the Downtown Council. Still, the council has lofty goals, aiming to increase transit use by the workforce to 60 percent by 2025. —Marissa Groechel

Cold Brew Heats Up

Latest coffee fad is designed to expand coffee audience.

■ The newest frontier in the coffee wars is cold press, a term with which you're now probably familiar. Also known as "cold brew," the coffee is steeped in cold water, providing a less acidic flavor than hot-brew coffee. With cold brew's growing presence in Minnesota, local coffee shops are seeking to turn the beverage into a year-round habit in the cold, cold north.

One such company is Minneapolisbased Dunn Brothers Coffee. "Summers are very busy with cold-brew beverages," says spokesman Rob Brecher, who says Dunn Bros. cold brew sales double in warm months. However, "colder seasons still [demand] hot beverages." The company now offers hot beverages, including its Nirvanas, using the cold-brew method.

Another way coffee shops are serving

cold brew is on tap where nitrogen is added, creating a smoother, creamier product. Dunn Brothers and Seattle-based Starbucks have added nitro options to several of their stores in the last year.

"Cold-press coffee has been on the rise in popularity," says Brecher. "Nitro cold brew is on the same track."

Cold press represents half to two-thirds of coffee sales (depending on season) for Minneapolis-based coffee roaster Blackeye Roasting Co. Founded in 2013, it operates opened retail locations designed much like a taproom, with 10 tap lines including nitro cold brew, plus a selection of espressobased beverages, nitro iced tea and kombucha. Blackeye's office distribution



arm currently provides cold-press taps to 20 Minnesota companies.

Cold-brew coffee's main competition isn't traditional coffee, but rather energy drinks, according to Blackeye president and founder, Matt McGinn. Blackeye's cold brew has twice as much caffeine as a traditional energy drink, and it has no sugar. "Consumers really want a drink that isn't loaded with sugar, says McGinn. "That's why you see soda companies investing in coffee and tea products." —*Kate LeRette*



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Star treatment for VIP clients and guests. By **Melinda Nelson**

The Quintessence of Winter

Introduce your out-of-town clients to the unique pleasures of a Minnesota winter.





U.S. Pond Hockey Championships

Winter Carnival

Saint Paul Winter Carnival

Give your out-of-town clients something to write home about with a visit to the Saint Paul Winter Carnival (January 26-February 5, wintercarnival.com). Founded in 1886, the carnival is the oldest winter festival in the U.S. and the grande dame of St. Paul events. Bundle up and join the revelers for the official kickoff at the Moon Glow parade downtown on January 26. Enjoy a cold Summit beer in the ice bar in Rice Park and watch the ice skaters before strolling over to the picturesque St. Paul Grill (stpaulgrill.com) for dinner. Order the signature tenderloin sandwiches and hash browns with bacon and onions, but save room for a couple of Winter Carnivals—steaming coffee with Baileys, Tia Maria and cocoa topped with whipped cream.

U.S. Pond Hockey Championships

■ If your clients are hockey fans, cut out of the office early January 27 for the final day of the U.S. Pond Hockey Championships (January 26-29, uspondhockey.com). Head over to Lake Nokomis, where the ice is dotted with two dozen hockey rinks filled with former NHL stars, rink rats and other die-hards competing for the Golden Shovel, the Stanley Cup of pond hockey. Start with a couple of beers in the Labatt Blue Zone tent, named one of the top 51 hockey bars in the world by Pond Hockey Brew, and then slide over to the Sundown Showdown, a winner-take-all tournament. Unless you're compelled to stay until the freezing end, head over to the Town Hall Tap (townhalltap.com), a two-minute drive from the lake. Warm up with pints of award-winning Hope & King Scotch ale and locally made Chicago Avenue onion beer bratwurst and a basket of pub fries.

Waconia Snowmobile Show

For an only-in-Minnesota experience, take your clients out to Lake Waconia on January 28 for the first full day of the 27th annual Waconia Snowmobile Show (January 27-29, mwvss.com). Mingle with snowmobilers from around the country, watch vintage sleds compete in side-by-side drag racing on the ice and browse the world's largest vintage and antique snowmobile show/swap meet. Once you've had your fill, head over to Lola's Lakehouse (lolaslakehouse.com) on the shores of Lake Waconia for buffalo chicken wings, stonefired pizza and other specialties.

City of Lakes Loppet Ski Festival

Even if your clients have never strapped on a pair of crosscountry skis, snowshoes or speed skates, the City of Lakes Loppet Ski Festival (February 3-5, loppet.org) is a fun way to experience local winter culture. Festivities begin on Friday with the 25K speed-skating loppet on Lake Calhoun, followed by the Finn Sisu Sprints. In between the races, quench your thirst in the Surly Beer Garden in the Loppet Village by the Lake Calhoun Executive Center. Afterward, head west on Lake Street to Lake and Irving restaurant (lakeandirving.com) for the savory, shoyu- braised short ribs with sweet potato mash and fried Brussels sprouts with white soy and togarashi.

Wayzata Chilly Open

If the last time you played golf with your clients was on turf, it's time for a new challenge. Show up on the shores of Wayzata for the Wayzata Chilly Open (February 11, wayzatachillyopen.com), an annual golf tournament/chili cookoff on frozen Lake Minnetonka. Grab a couple of hockey sticks and hit tennis balls around a nine-hole course carved into the ice, and enjoy live music and more than a dozen varieties of chili prepared by local chefs. After you've hung up your sticks,

repair to the bar at Cōv (covwayzata.com) for a restorative glass of Glenlivet as you watch the sun set over Wayzata Bay. A&E By Tad Simons





The King and I

There are several reasons to see this road-show version of the Rodgers & Hammerstein classic. First, it won a Tony Award for Best Revival, so it's not just a box-office knock-off, it's a genuinely brilliant production. Second and third, it stars two of Broadway's finest: Jose Llana as the King, and Laura Michelle Kelly as Anna. Llana played the title role in the Tony-winning Broadway version, and Kelly made her mark on Broadway as Mary Poppins, so you know she can sing and is capable of a certain kind of magic.

Feb. 28-Mar. 5, Orpheum Theatre, 612-455-9500, hennepintheatretrust.org

Game of Thrones Concert Experience

Fans who can't get enough of Westeros and the House Stark will certainly get their fill here. The "experience" includes an 80-piece orchestra and full choir performing on a 360-degree stage surrounded by LED screens and 3-D images designed to create a multimedia fantasia that summons the spirit of . . . well, you get the idea. "We wanted it to be an immersive experience so that when you're walking into the arena, you are in Westeros," say the tour's promoters. St. Paul is only the second city of a 28-city tour. Why? Because we are the North.

Feb. 20, Xcel Energy Center, 651-265-4800, xcelenergycenter.com



Merce Cunningham: Common Time

The Walker Art Center's romance with choreographer Merce Cunningham continues, with an ambitious interdisciplinary presentation of Cunningham's work that explores his ideas on movement, visual art and sound—all at once, pretty much



everywhere. *Common Time* features a range of installations that will unfold in seven different galleries, as well as the Walker's theaters and public spaces. The exhibit also includes performances of Cunningham's works by his dance company, as well as the work of choreographers influenced by him. No museum has ever done anything quite like this, so the Walker is the perfect place for it.

Feb. 8-July 30, Walker Art Center, 612-375-7600, walkerart.org

The Beautiful Brain: The Drawings of Santiago Ramón y Cajal

Spanish neuroscientist and Nobel laureate Santiago Ramón y Cajal is considered the father of modern neuroscience because of his groundbreaking theories on the cell structure of the human brain. Cajal was also an accomplished artist whose sketches of the brain are both beautiful and instructive. This exhibit includes 80 of Cajal's original drawings, many never before seen in the U.S., as well as a selection of contemporary images of the brain, photographs, commentary and scientific tools related to brain research.

Jan 28-May 21, Weisman Art Museum, 612-626-6800, wam.umn.edu

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PLUGGED IN

The best opportunities for networking this month. By Marissa Groechel



Feb. 9

WaveMaker Awards Celebration

The second annual TeamWomenMN WaveMaker Awards, hosted by the organization's Young Professionals Board, will celebrate women making a major impact on the community. Awards in five categories will be presented. A social hour and appetizers are included, along with the opportunity to network with accomplished businesswomen.

5 p.m., tickets \$35 to \$500, Minneapolis Event Centers, 212 Second St. SE, Mpls., 612-373-7037, teamwomenmn.org



Feb. 21

Feb. 21

Communications & Technology Conference

The Minnesota Council of Nonprofits is hosting this conference to help professionals use social media more effectively in a tech-savvy world. Keynote speaker R.T. Rybak, president and CEO of the Minneapolis Foundation, will discuss "A Diabolical Weapon Called Authenticity." There will be breakout sessions, networking and exhibitors.

7:30 a.m., tickets start at \$199, Hyatt Regency, Mpls., 651-642-1904, minnesotanonprofits.org

Feb. 23

Connecting Generations

Neuger Communications Group is gathering people of all ages for a breakfast discussion of how different generations can best work together. As demographics in the workplace change, many employers and employees will



need to learn how to communicate more effectively. 7:30 a.m., tickets \$30, Hilton, Mpls., 888-761-3400, neuger.com

pitch their technology start-ups to a panel of venture capital judges during the "Invest in Innovation" contest; winners gain exposure and may be able to secure investment capital. 7:15 a.m., tickets start at \$119.

the Depot, Mpls., 763-548-1303, roboticsalley.org



Feb. 18

Hearts of Hope Gala

Be a part of the 17th annual gala. Proceeds go toward the Hemophilia Foundation of Minnesota/Dakotas, which provides financial assistance, family fitness programs and summer camp for children and adults living with hemophilia. The event includes dinner, drinks, a program and live auction.

5:30 p.m., tickets \$75, Hyatt Regency, Bloomington, 651-406-8655, hfmd.ejoinme.org/2017heartsofhope

Feb. 28 to March 1

Robotics Alley Conference & Expo

Forward-thinking people from around the world will share their innovative roboticsrelated technologies with more than 500 global leaders in robotics research, design, business development and investment. Attendees can

BOT XT



tcbmag BEYOND THESE PAGES

2017 Wonder Women Awards

Join Twin Cities Business on February 22 at the Metropolitan Ballroom for an awards ceremony honoring five women who are trailblazers in their fields. This year's honorees are: Lynn Casey, chair and CEO of PadillaCRT; Carrie Cisek, vice president of human resources for GovDelivery



2016 Women's Leadership Awards honoree Dee Thibodeau, CEO and co-founder of Charter Solutions, speaks with *TCB*'s editor-in-chief Dale Kurschner.

LLC; Christine Lantinen, president and owner of Maud Borup Inc.; Heather Manley, president and CEO of On-Demand Services Group Inc.; and Michelle Morey, president of Magnetic Products & Services Inc.



Today's News

Statewide news and perspectives on business-related expansions, shakeups, successes, wrongdoings and more. Go online to: tcbmag.com



Life Style

The best places to take your VIP guests, top art and entertainment picks, most significant networking opportunities in the month ahead, and more. Go online to: tcbmag.com/Life-Style



Events

Join us at the Metropolitan Ballroom on March 16 for *TCB*'s 2017 Middle Market Forum. Leaders of local middle market companies will share their insights, solutions and advice on key issues facing mid-size companies. To register, go online to: tcbmag.com/mmf17



E-newsletters

Catch the latest business news—and explore what it means—every Tuesday and Thursday in *Briefcase*. And our monthly *Minnesota Small Business* e-newsletter, *Headway*, provides features, tips and insights for small businesses across the state.

To sign up, go online to: tcbmag.com/E-Newsletters



On the Air

Tune in to 830 WCCO-AM every Monday at 10:35 a.m. to hear *TCB*'s take on the week's top business and economic news and trends, and KARE 11 every Wednesday at 5 p.m. and Thursday at 11 a.m. for perspective on the state's most significant business developments. Go online to: kare11.tv/2gVzLvo

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HEALTH BEAT

News, trends and analysis about Minnesota's health care industry

Edited by Kate LeRette

Bio-Business Incubator Eyed for Stewartville

A Twin Cities commercial real estate agent has plans to repurpose a nearly new medical device manufacturing building in Stewartville into a bio-business incubator that could tap into the startup scene of nearby Rochester.

Tom Dunsmore of Avison Young told TCB he's working with a team of advisors and city officials on a vision to convert a 2-yearold, 57,000-square-foot building owned by New Jersey-based C.R. Bard Inc. into a multi-tenant startup incubator with wet lab facilities.

Bard is asking only \$4.5 million for the hardly used facility.

"We're pretty confident we could get some takers, if the cost of converting it to enterprise lab space proves to be reasonable," says Dunsmore, who is representing Bard in its efforts to sell the former manufacturing facility. "We've launched a feasibility study on it, which should be completed by February.

Dunsmore says he's closely studied what has become a nationwide trend of locating biotech startup incubators near major hospitals.

"One example I've looked at is the University Enterprise Laboratories in St. Paul." he said. "It started out on the University of Minnesota campus and then moved into a former distribution building off campus that was converted into wet lab coworking space. It is now doing quite well."

Indeed, UEL, located in St. Paul's

Midway, announced earlier this year it is expanding its interior lab space by 14,000 square feet, including four new dry labs, a pair of new wet labs and two new offices.

CLEWARtvij

The building itself is in nearly pristine condition, Dunsmore said. Bard launched one catheter manufacturing line before quickly shuttering it, leaving a space Dunsmore believes could be readily converted into a multi-tenant wet lab building.

Among those eagerly awaiting the results of the feasibility study is the city of Stewartville, whose community development department has presented preliminary information about the potential costs of a conversion.

The Mayo Clinic is planning hundreds of thousands of square feet of new commercial and medical research space in downtown Rochester as part of the ambitious Destination Medical Center project. Could a Stewartville incubator facility compete? "Yes," Dunsmore asserts.

"It's not an either-or situation with downtown Rochester, despite what some might think," he says, emphasizing that the combination of wet lab facilities, a newer building and low rents would make the facility uniquely suited for startups, many of which may not be able to afford downtown. -Don Jacobson

Medtronic, Fitbit Join Forces

Medtronic will bring its iPro2 Continuous Glucose Monitoring (CGM) system, for use in diabetes care, to Fitbit's wearable devices as part of a partnership between the two companies.

The medical device maker, with U.S. headquarters in Fridley, announced the

collaboration in December. The company said the convenience of Fitbit devices would allow diabetics to more easily understand and monitor the relationship between exercise and glucose levels.

Glucose, also known as blood sugar, is a critical measurement tool in predicting hypoglycemia, or low blood sugar.

Medtronic is working to develop a mobile app version of its CGM system for the Fitbit, called the iPro2 myLog. The app will interpret data gathered by a Fitbit activity tracker and relate it back to glucose levels.

"Many patients are manually tracking and recording their physical activity,

> that information to their physician from memory," Medtronic said in a news release. "MyLog will simplify the sharing of information with a patient's health care team."

Bevond a Fitbit device, heart monitors and other clinical trackers using the iPro2 system

can be used to record how a nutrition plan, medication and other daily activities can affect a person with diabetes.

At the start of 2016, Medtronic also unveiled details of Sugar.IQ, an app it created with IBM and its Watson artificial intelligence program. The app was released in September and can predict cases of hypoglycemia up to three hours in advance.

Through these partnerships, Medtronic is hoping to make a bigger mark on the \$240 billion diabetes care market. Experts say the number of people with diabetescurrently about 415 million-is expected to increase by about 50 percent in the next 20 years. -Sam Schaust



What may have been science fiction years ago is reality today. Researchers at the University of Minnesota have created a technique that allows people to control a robotic arm using just their brain.

"This is the first time in the world that people can operate a robotic arm to reach and grasp objects in a complex 3-D environment using only their thoughts, without a brain implant," says Bin He, a biomedical engineering professor at the University of Minnesota.

Previous thought-controlled prosthetics required implants or surgery to allow brain signals to communicate with a robotic limb. With He's technique, called EEG-based braincomputer interface, he expects a huge shift toward non-invasive options in his field.

"We see a big potential for this research to help people who are paralyzed or have neurodegenerative diseases to become more independent, without a need for surgical implants," He said.

In He's experiment, subjects were equipped with an EEG cap, which was designed to read electric currents in the brain's motor cortex and translate those "thoughts" into actions. As subjects thought about motor functions, such as moving an arm to pick up a block, the robotic arm would often do the same.

The eight subjects in He's study were able to use the bionic arm to pick up objects with an average success rate of more than 80 percent. Similarly, when the subjects were asked to move objects from a table onto a shelf, the average success rate was more than 70 percent.

"Three years ago, we weren't sure moving a more complex robotic arm to grasp and move objects using this brain-computer interface technology could be achieved," He said. "We're happily surprised that it worked with a high success rate." -Sam Schaust





EXPLANATION OF BENEFITS By David Burda

Where People Like Where They Work—And Presumably Will Be Healthier

Top 20 U.S. cities on Indeed's 2016 Job Happiness Index



Workplace Wellness Made Easy

Skip the biometric screenings and start hiring nicer people if you want a healthier workforce.

S ome people have a knack for making complicated things simple. Most people have a knack for making simple things complicated. I'd like to think I'm in the former category, but you'd have to verify that with my family, friends, neighbors and coworkers.

New research suggests that you can keep your complicated workplace wellness program, with its legally dubious health risk assessments, biometric screenings and genetic testing features, and simply replace it with nice people some so nice that you want to marry them. Valentine's Day is coming up, after all.

The first piece of new research is a study that appeared in the journal *Personality and Social Psychology Review*, which is not on my regular reading list (bit.ly/2haZBJs). The study, with the complicated title, "A Meta-Analytic Review of Social Identification and Health in Organizational Contexts" studied 58 other studies to come up with a simple conclusion. It found that peoples' social identification with coworkers and their employer was correlated with their health, which the researchers defined as:

- **{1**} Presence of well-being.
- **{ 2}** Absence of stress.
- { **3** } Psychological health.
- { **4** } Physical health.

The more strongly people identified with their coworkers and with their company, the better their health was.

"Rather than providing support for a biomedical model of stress and well-being, findings thus demonstrate the usefulness of bio-psycho-social models, which suggest that physical and physiological markers of health are determined in no small part by the broader social-psychological environment in which people find themselves," the researchers said.

That's a complicated way of saying that if you like who you work with and you like your company, you'll be a lot healthier both mentally and physically. The U.S. ranked 23rd out of 35 countries on Indeed's 2016 Job Happiness Index (bit.ly/1nKK4Bg). Minneapolis was 15th out of the 50 largest cities in the U.S.

The second piece of new research is a study that appeared in the journal *Health Psychology*—again, not on my regular reading list. An odd pairing of researchers from the psychology department at Michigan State University and the business school at the University of Chicago studied the self-reported happiness levels and health status of nearly 2,000 married couples from 2006 through 2012 (bit.ly/2ev6UOt). The study found that one of the biggest predictors of health was the other person's happiness. In other words, the happier your spouse was, the healthier you were. And vice versa.

"The fact that one person's health can be predicted by the happiness of someone else independently of his or her own happiness significantly challenges current assumptions in the literature," the study said.

And in the workplace, I say. What that means for your business is this: If you've got a lot of sick people in your office, start hiring happier people and have them work in the cubicles next to the sickies and watch absenteeism drop and productivity rise. And maybe watch for a wedding invitation.

I'm not a health services researcher, but I have worked in hostile work environments where insecurity, ignorance and mistrust at the top manifested themselves as verbal abuse, belittlement and humiliation as the means of managing (read controlling) the staff. I know it took a toll on my health and the health of others. Now I work from home, with the biggest annoyances being my dog wanting a bite of my lunch and my daily robo-call telling me I'm under investigation from the Internal Revenue Service.

They say people will kill you. That's certainly true in the workplace. So if you want to keep your workers healthy and on the job, skip the wellness program and do a better job of hiring people who are both talented and a pleasure to work with. It's not complicated. tcbmag

David Burda (twitter.com/@davidrburda, dburda@msp-c. com) is editorial director, health care strategies, for MSP-C, where he serves as the chief health care content strategist and health care subject matter expert.

SHORT TAKE

following the Federal Trade Commission's antitrust investigation of the sale of the St. Cloud Medical Group to CentraCare Health in St. Cloud. But the documents in the case are required reading for employers who want to understand the impact of hospital and physician consolidation (http://bit.ly/2fsgq59).

In a draft antitrust complaint accompanying the proposed consent agreement settling the case, the FTC said, "Competition between CentraCare and SCMG enables health insurers and employers to negotiate lower reimbursement rates and more favorable contract terms."

When competition is reduced by a merger? "The acquisition will likely allow CentraCare to increase the reimbursement rates for the services of current SCMG

physicians, and potentially secure more favorable terms from health insurance plans for CentraCare services."

The agreement, under which CentraCare admits no wrongdoing, lets the sale go through with the stipulation that CentraCare release up to 14 of SCMG's 40 doctors from their non-compete clauses. They could set up their own practices or go to work for someone else, maintaining competition in the market for primary-care services. The first five out the door get \$100,000 each to get started.

The FTC's point of view is clear: Health care competition lowers prices and improves quality, with the benefits accruing to employers and employees.

That's why the business community needs to pay more attention to health care consolidation. It's about money.



PERFORMING PHILANTHROPY By Sarah Lutman

Theaters Rethink Business Models

Twin Cities Theatres of Color Coalition plays artistic and social justice roles that merit a new approach to budgets and financial support.

N onprofit theater has grown up over the past two generations and the norms for its business model are now well established. This has resulted in a set of best-practice expectations for metrics like the optimal percentage of earned vs. contributed income, the expected capacity of seats sold per performance, and other indicators. If a theater company's aspirations and activities stray from these norms, it will spend extra time explaining its rationale to grantmakers and contributors, if the organization is eligible to apply at all.

Data show that among the theaters in the U.S. that



originate in and serve communities of color, these norms are difficult to achieve and sustain. A national study of museums, theaters and dance companies dedicated to reflecting and encouraging artmaking and cultural programming among communities of color identified serious funding challenges. Published in September 2015 by the University of Maryland's DeVos Institute of Arts Management, the study showed these organizations tend to receive far less than proportional funding from organized philanthropy compared to local population data. It also documented that they traditionally have had limited access to high net worth individuals and civic leaders who could advocate for, fund or otherwise support their efforts.

With fewer dollars allocated, and with board members who are recruited not so much for their individual net worth as for their community knowledge and connections, these organizations struggle to reach the same level of financial success that peer theaters serving predominantly white audiences and artists achieve. Furthermore, their mix of activities is often markedly different from these peers.

Against this backdrop, the Twin Cities Theatres of Color Coalition formed in 2014. Known by its acronym TCTOCC (pronounced tick-tock) the coalition's five member companies are Penumbra Theatre, Mu Performing Arts, Pangea World Theater, Teatro del Pueblo and New Native Theatre. The artistic leaders of these five theaters have met monthly for the past two years, encouraging each other's work, sharing their personal stories and struggles, and making the case to local and national grantmakers that their companies' roles and contributions to our region are culturally vital and merit deeper and more sustained support.

Sarah Bellamy, co-artistic director of Penumbra Theatre, has played a key role in the coalition's development. She says that the best possible outcomes for TCTOCC include shifting the dominant logic as it applies to the economics of theaters of color, and to articulate alternative narratives about what theater companies can be, who they serve, what activities they engage in, and how they sustain themselves.

Beyond practical steps like sharing space and staff and marketing each other's shows, TCTOCC as a group can advocate for better funding locally, and for more respect and more equitable partnerships with white institutions. The leaders are striving for a healthier arts ecosystem overall, one that is broadly inclusive of Minnesota's increasingly diverse populations. "The goal is to thrive, to be able to realize our ambitions in education and production, and to sustain ourselves at a higher level," Bellamy says.

Randy Reyes, artistic director of Mu Performing Arts, concurs. "The best outcome of TCTOCC would be that coalition members' communities can grow together and that we can have a greater impact on the community as a whole." He also says that modeling new ways of working and testing new approaches to a sustainable business model can serve not only local organizations but can be a beacon nationally for what have been financially shaky organizations in most cities.

TCTOCC members believe that the future business models that will help theaters of color to thrive will not be based on the dominant logic of the established nonprofit theater field. With their stronger emphasis on community engagement and education, a deep commitment to new work and commissions that bring diverse voices to the fore, and serving communities of color with less cumulative wealth dedicated to arts philanthropy, these organizations seek a different relationship with the community. They want one that is not based on transactions such as ticket sales, but rather on community expression and empowerment. They have a social justice orientation, not just an artistic one.

Get to know these dynamic companies by attending their performances and experiencing the difference between a play about Asian-Americans and a play created within the Asian-American community. Then see for yourself why TCTOCC's members are important to Minnesota's increasingly multiracial, multicultural society. "Theater is a tactile, human thing," Reyes says. "Come see what we actually do, and see what this means to our community."

TCTOCC's member theaters all are in production this spring. Why not take Reyes' advice? tcbmag

Sarah Lutman is a St. Paul-based independent consultant and writer for clients in the cultural, media and philanthropic sectors.



Penumbra



IT'S ALL RELATIVE By Tom Hubler

Business + Family + Love = Success

Love is the foundation of a productive and successful business family.

uccess in a family business is a lot about love. Since we're near Valentine's Day, I would even say that a successful family business is all about love.

In my opinion, the closeness of family is what separates those who own a business from all other work relationships. The entanglement of business and family complicates the work environment because it is difficult to balance work with family. Family life and work life intertwine; there's no place to hide when there is stress in one or the other.

The crossover can easily overwhelm individuals. Friction causes pain and isolation. Disagreements get personal. There's no way to get away.

I believe the answer is disarmingly but deceptively simple: love. Regularly demonstrated among family mem-

bers, love is the foundation of a productive, successful business family. I saw it unfold first-hand between two brothers and their family business.

Brothers in conflict

John and Jim grew up in their family's manufacturing business in Minnesota. Older brother John became an integral part right after he graduated from high school. He sacrificed his college career to help his father complete crucial government contracts that greatly enhanced the business.

Younger brother Jim was able to go to college and earn a business degree. After graduating, Jim traveled in Europe for the summer.

When Jim returned from his three-month European holiday, his father, Franklin, recruited him into the business. Jim joined at the same pay level as his brother John. They both held titles of vice president.

John was deeply hurt. He felt taken for granted. For two years his unhappiness festered until he couldn't take it anymore. John left the family business, moved across the river to Wisconsin and started his own company as a direct competitor. All communication broke down. John no longer had contact with his family.

Years passed. Children were born who didn't meet their cousins. Both businesses thrived, but John and his wife and children never ventured across the river for family gatherings or holidays.

One cold December evening, John was driving on an icy rural road when he came upon a car angled on the side of the road. A good Samaritan, he stopped to offer assistance. As he stood there, another car, driven by a drunk driver, hit John's car, pushed it into the stranded car and crushed his knee between them. John was airlifted to a local hospital for emergency surgery. As he awoke from the anesthesia he became aware that his estranged brother, Jim, was standing beside his bed. He felt Jim holding his hand and heard him repeating, "I love you. I love you."

The tragic event renewed their relationship. Eventually the family reconciled, the two companies merged, and the family business, as well as the family, was healed and whole. Love—expressed, demonstrated, initiated—started strengthening family bonds that overcame past hurts and misunderstandings.

Statistics of love

Family businesses comprise nine out of 10 enterprises in North America. Yet operating a business as a family is no easy task: personalities add an extra level of pressure and potential conflict. This is statistically evident when you realize that less than one-third (30 percent) of families control their business into the second generation, and only about one in 10 (12 percent) are still viable into the third generation. That's why it's so important not to take love for granted.

Based on my experience, the largest obstacle to family business succession planning is poorly expressing appreciation, recognition and love. This blind spot crosses genders, generations and ages. Working with family business clients, I have talked with owner-entrepreneurs who desperately want to know whether what they have done—creating and maintaining a successful business—is recognized as making a difference. They want to know that their families love them.

Of course, adult children love their parents, right? There's the rub—many take their parents for granted and fail to tell them they love them or appreciate the business platform that's been built.

Across generations I've often heard, "Oh, they know I love them." Or "It's obvious, I don't have to talk about it all the time." I usually reply, "Of course you love them, but let them know it, too."

Strengthening the love in your family helps the bottom line. Here are three simple ways everyone can strengthen the family and the business:

- **(1)** Regularly and genuinely tell each other that you love and appreciate them and what they mean to you.
- {2} Spend time individually with other generations outside of the business to build the emotional equity of your relationship. Get involved with each other's lives.
- [3] Actively engage each other through family meetings to share your family values on money and wealth, and help develop purposeful lives through stewardship and service.

With Valentine's Day as your inspiration, create every opportunity possible to build the emotional equity of your family even as you build the equity of your company. It costs nothing, takes very little time and it works. tcbmag

Tom Hubler (tomh@thehublergroup.com) is president of Hubler for Business Families, a family business consulting firm.



Build the emotional equity of your family even as you build the equity of your company.

Minnesota Businesses Ramp up Investment Plans

Leaders are extremely optimistic about national and global economies in 2017 and plan to increase hiring, R&D and capital expenditures.



As they look to the months ahead, leaders from across the state are

the most optimistic they've been about business conditions nationally and globally in nearly five years, according to TCB's Quarterly Economic Indicator (QEI) study of leadership plans for the first quarter ending March 31.

Half of the 332 who responded to this period's questionnaire say they expect conditions will improve; 11 percent expect they will worsen and 39 percent believe they'll stay the same. Those are the highest

"improve" and lowest "worsen" percentages since this quarterly analysis began in mid-2011.

Meanwhile, optimism about Minnesota's economy in the months ahead also is up, but not nearly as much as views

ABOUT THE SURVEY



Every three months, Twin Cities Business sends to more than 15,000 business leaders throughout the state the same set of questions, asking them about plans and expectations for the next three months. This issue's survey, conducted at the end of December, provides insight into the first quarter of 2017 ending March 31.

on the national and global economies. Thirty percent of respondents say they expect Minnesota's economy will improve-good news, given this percentage was in the teens and twenties since the fourth quarter of 2015, but still trailing a

22-quarter average of 32 percent.

Finding qualified talent remains a major concern. In previous quarters, at least 1 percent of respondents thought it would become easier to find qualified employees in the months ahead. For the first time,

MINNESOTA ECONOMIC OUTLOOK INDEX (QUARTERS 2015-2017)

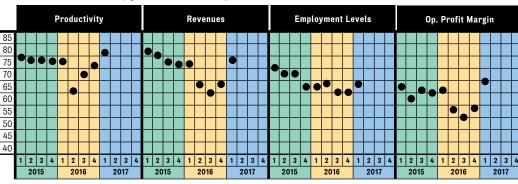
55	54	52	55	54	53	52	51	47	46	48	53
Q2•2014	Q3•2014	Q4•2014	Q1•2015	Q2•2015	Q3•2015	Q4•2015	Q1•2016	Q2•2016	Q3•2016	Q4•2016	Q1•2017

Survey responses are used to compile TCB's Minnesota Economic Outlook Index, which comes in at 53.1 for the first quarter of 2017-up from 48.4 in the last three months of 2016. This is the second consecutive quarterly gain and the highest level since the second quarter of 2015. An index above 50 indicates healthy business growth; below signals slowing business growth. Through the third quarter of 2016, this indicator had slid downward for five consecutive quarters.



BUSINESS PLANNING (QUARTERS 2015-2017)

Above and at right. percentage of respondents anticipating increases or improvements in these areas during the first quarter of 2017—diffusionindexed: For each auestion, all responses for "increase" added to one-half of responses for "maintain/stav the same." Above 50 is positive, below is negative.



BUSINESS CONDITIONS (QUARTERS 2015-2017) Business Conditions Minnesota **Business Conditions Global** Finding Qualified Labor **Obtaining Financing** 85 80 75 70 65 60 55 50 45 40 35 30 25 20 1 2 3 4 1 2 3 4 1 2 3 4 3 2 3 4 1 2 3 4 1 2 3 4 1 2 3 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4 4 1 2 3 4 2017 2015 2016 2017 2015 2016

less than 1 percent indicate this going into 2017. Meanwhile, 51 percent expect the prospects to remain the same, while 48 percent say they believe they will get even more difficult.

Wages are expected to rise at 47 percent of the companies responding to the survey; only 1.5 percent plan to decrease wages, while 51 percent plan to keep them at the same level.

Production levels are expected to rise at 48 percent of the responding businesses—this is up 35 percent from last quarter, and up 14 percent from one year ago. More than half of respondents also expect revenue will increase this quarter, and a record 38 percent expect operating profits will improve, while a record low percentage of only 10 percent expect profits will fall.

This may help explain why a record high percentage of 27 percent of respondents plan to increase spending on research and development (up 43 percent from last quarter and 19 percent from

MEETING of the MINDS

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INTELLIGENCE REPORT

one year ago), and 37 percent plan to increase spending on capital expendi-

tures (up 59 percent from the fourth

quarter and 10 percent from the first

These findings of anticipated

did hiring, ISM says.

Creighton University on Jan. 4

the fourth quarter. Among the

254 written responses, finding good employees topped the list, followed by concerns about regu-

lation and taxes. Here are a few of

"Finding qualified employees; we

have eight open positions that we have been trying to fill for months.

We are in a rural town 50 miles west of the Twin Cities and it is

"Increasing regulation, high taxes.

Keeping costs down. Trying to

convince employees to come to

difficult to find employees." "Insurance/benefits for employees; costs have risen more than 50 percent in the last three years."

the responses:

Minnesota."

released its monthly Mid-America Business Conditions index for the fourth quarter at 53.1, up from 46.5 reported in November. Below 50 indicates economic contraction; above indicates growth. December saw the second consecutive monthly increase in this index, which found hiring, new orders, exports and inventory levels improved in manufacturing plants across Minnesota, the Midwest and the nation. The Wall Street Journal Jan. 3 reported that after years of stock buybacks and hoarding cash, U.S. companies are moving to spend on factory and equipment upgrades. TCB's quarterly study also asks respondents to tell us their greatest business challenge in

investment increases are on track with other reports issued within the first

The Institute for Supply Management (ISM) on Jan. 3 reported that its purchasing managers index rose to 54.7 percent in December, hitting its highest level in two years. This indicator has signaled growth in nine of the past 10 months. New orders and production increased in December, as

quarter of 2016).

week of 2017.



Percent of 332 Minnesota businesses, by industry, that anticipate increases in these areas during the first quarter of 2017.

Full-time employee

count (top 10)	
IT Services/Software/ Telecom	58
Wholesale Trade	53
Other	46
Banking/Finance	42
Manufacturing	40
Insurance	36
Legal Services	33
Marketing/Advertising/Comm	33
Real Estate	29
Retail	28
Construction	23
Health Care Delivery & Services	20
Entertainment/Hospitality	19
Architecture/Engineering	18
Education	10

Capital outlays/

infrastructure investments		
Construction	54	
IT Services/Software/ Telecom	47	
Banking/Finance	46	
Manufacturing	43	
Real Estate	43	
Marketing/Advertising/Comm	38	
Retail	33	
Other	33	
Entertainment/Hospitality	31	
Wholesale Trade	30	
Architecture/Engineering	27	
Health Care Delivery & Services	27	
Legal Services	25	
Insurance	21	
Education	10	

R&D spending

R&D spending	
IT Services/Software/ Telecom	53
Architecture/Engineering	36
Real Estate	36
Other	33
Education	30
Manufacturing	30
Marketing/Advertising/Comm	29
Insurance	21
Wholesale Trade	21
Entertainment/Hospitality	20
Legal Services	17
Retail	17
Banking/Finance	15
Health Care Delivery & Services	13
Construction	9

2016 ADVISER OF THE YEAR



Percent of respondents, by county, that anticipate increases in these areas during the first quarter of 2017. **Full-time** employee count Scott 67 Sherburn 60 38 Dakota Hennepin 38 Wright 38 Ramsey 33 Other 32 Anoka 30

t	Capital out infrastruct investment	ure
)	Anoka	50
3	Dakota	48
3	Other	42
3	Washington	38
3	Wright	38
2	Hennepin	36
)	Scott	33

Ramsey

R&D spending		
Anoka	40	
Hennepin	30	
Ramsey	27	
Wright	25	
Other	23	
Dakota	19	
Scott	17	
Washington	13	

Gov. Mark Dayton's Approval Rating Drops

27.8 (down from 35.1% last quarter) The governor's approval rating of 27.8 percent is down 15 percent from a year ago at this time. The percentage of those

28

who disapprove of the governor's performance increased to 58.6 percent from 54.3 percent last quarter.

METHODOLOGY

win Cities Business conducts its survey quarterly to provide a look at business planning and sentiment among leaders across all industries in Minnesota. An email link to an online survey was sent to 15,729 Minnesota business leaders in late December and reminder emails were sent the following two weeks to those who had not yet completed the survey. The Minnesota Chamber of Commerce provided some of the email addresses used in this outreach. As of Dec. 30, 332 leaders responded, resulting in a 2.1 percent net response rate.

- "Capital flight out of Minnesota thanks to Mark Dayton's idiotic tax policies."
- "Cost of goods. If import tariffs are increased, it could have a negative impact on our business."

Asked if there was anything else they would like to add, 41 people responded. Here are a few of their responses:

- "The City of Minneapolis is strongly driving away growth companies, at the same time our state is gaining a strong reputation for high costs."
- "The Trump election has created a lot of optimism amongst our customers. It will be good for us!"
- "We increased the number of products available to our clients recently, and plan to do so in 2017, due to what we believe will be a much better business environ-

ment. Essentially, business will be welcomed, not vilified."

"Minnesota is an attractive state for its talent pool and culture, but unattractive in terms of being small-business friendly. As a result, we are relocating our headquarters and employees."

"The state's Angel Tax Credit has been incredible for us—it helped us raise capital from investors in Minnesota and from out of state, and that has meant more jobs here."

Another question was whether those businesses that plan to expand will do so in Minnesota. This quarter, 56 percent indicated they would, down slightly from 59 percent last quarter and about even with one year ago at this time; 24 percent said they wouldn't and 20 percent answered "unknown." tcbmag



Delta Dental of Minnesota congratulates Galye McCann,

partner and president at North Risk Partners - Johnson McCann Division, on being named 2016 Adviser of the Year by Employee Benefit Adviser magazine.





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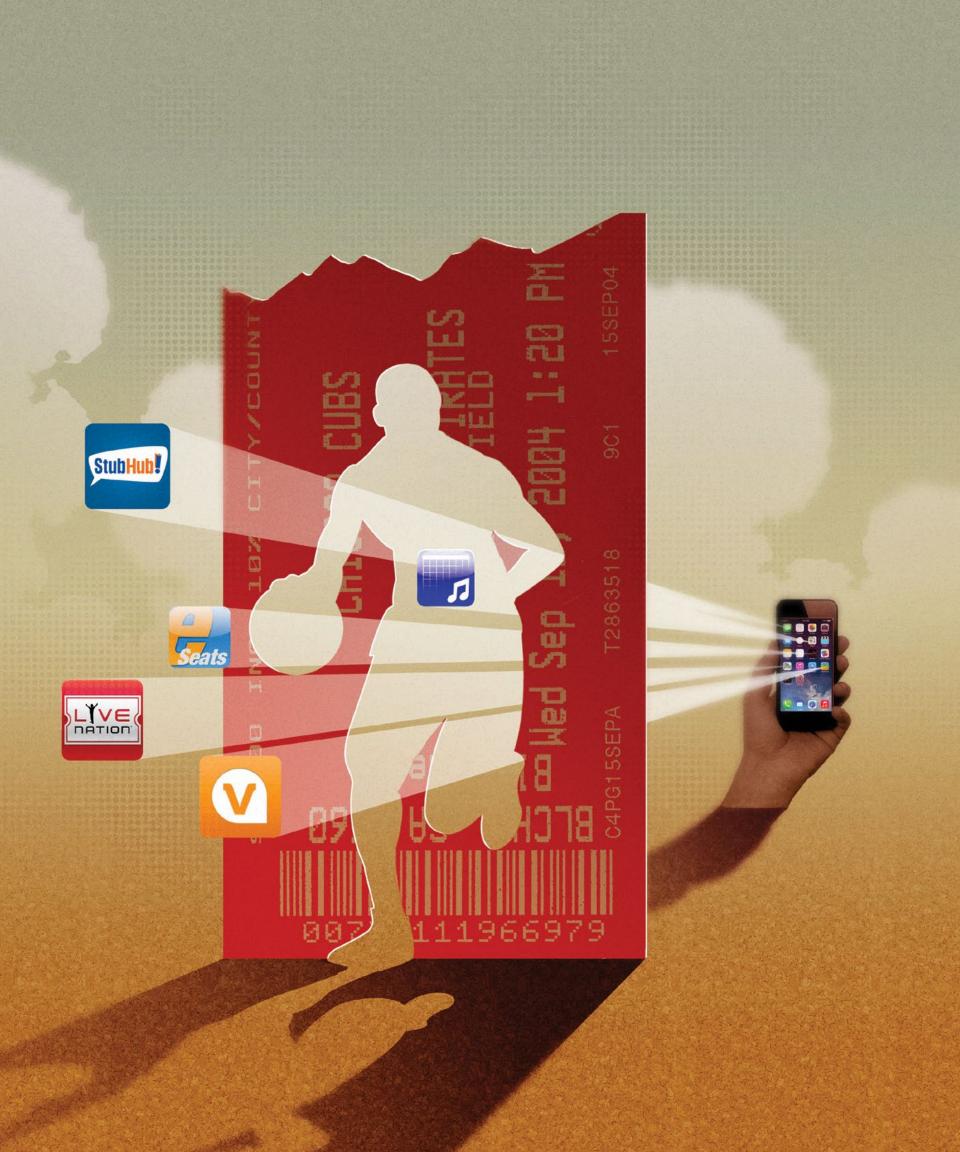
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THE SCALPING BUSINESS IS EATING DEEPER INTO THE BUSINESS MODEL OF TEAMS AND VENUES ALIKE. SOME ARE FIGHTING BACK, TO CONSUMERS' DISMAY. BY TAD SIMONS



en years ago, when Minnesota became the first state to legalize ticket resale (scalping) without any constraints or regulatory oversight, it set in motion one of the most interesting experiments in free-market economics ever attempted. There were (and still are)

detractors who argue that ticket resale is anti-consumer and anti-business. But the argument that won the day was to let unfettered capitalism sort the market out—unleash some competition and let fans decide how much they're willing to pay to see the Vikings miss a field goal in the last three seconds of a game.

Since then, a lot has changed.

Nowadays, resale is more commonly referred to as the "secondary ticket market," a term that doesn't connote opportunistic profiteering so much as the reality that a resale market for tickets will always exist, legal or not, as long as there is a profit to be made.

And there is plenty of profit.

Anatomy of a Ticket (Re)Sale

Stevie Nicks at Xcel Energy Center, December 6, 2016



Face Value \$96.50 (sold through Ticketmaster) Secondary market weeks in advance: mid-\$100s

"The thing that affects my business most is losing teams. And unfortunately, we've had a lot of those around here. When the Twins lose, I lose."

—Mike Nowakowski, Ticket King

*** TICKETS

'I NEED TICKETS'

TICKETS ***

It's late in the season, 10 minutes before the first pitch, and a there's a guy outside Target Field with a sign around his neck that reads "I need tickets!"

If this fellow really wanted to attend the game, all he would have to do is walk around the corner to the box office, where thousands of seats are available. But he doesn't. Why?

"He wants to find someone who is willing to sell him tickets cheaply, so he can turn around and sell them a few minutes later to someone else for more," explains broker Mike Nowakowski of Ticket King. "That's the way we used to do it. That's how I got my start in this business." *—T.S.*



Estimates vary, but most analysts put the size of the secondary ticket market at about \$5 billion to \$10 billion and growing. In many states, much of this economic activity happens under the table or in the gray shadows of the law. But in Minnesota, ticket resellers are just another business, albeit one that has evolved considerably over the past decade. One can still hear the cry of the old-fashioned scalper-"Tickets, tickets, who needs tickets?"outside U.S. Bank Stadium or Target Field, but the march of technology is making them increasingly obsolete. As electronic ticketing expands, mobile phones proliferate, and venues, fans and artists all move toward the inevitable-a world without paper tickets; thus the secondary ticket market for concerts, sports, and theater events is increasingly the realm of people like Mike Nowakowski, owner and operator of local ticket broker Ticket King.

The broker hangs on

Nowakowski spends most of his time in front of his computer, buying tickets, repricing them, monitoring demand, and surveying the market for the \$5 million in ticket inventory he stewards on any given day. He differentiates himself from larger players on the national market—sites like StubHub, Razorgator, Vivid Seats, SeatGeek, and TicketsNow—because those sites are known as "exchanges," places where—much like eBay, which owns StubHub—anyone can sell tickets, and the site takes its cut in the form of a transaction fee (from 15 to 35 percent). By contrast, Nowakowski owns 95 percent of the tickets on his site, because his business model is based on buying tickets—from teams, fans, other brokers and anywhere else he can get them—then reselling them for whatever the market will bear.

"This is as pure a supply-and-demand business as you can get," says Nowakowski. "The difference is that without people like me, StubHub couldn't exist." That's because a large portion of the tickets offered on sites like StubHub are actually tickets that originate from broker sites like Ticket King. For example, if you use SeatGeek to buy a mid-court seat in Section 111 to a Timberwolves game, chances are that's the exact same seat listed on Ticket King. "Those sites use our site to fill out their inventory," Nowakowski explains. "They aren't our competition, they're my customers." The difference: "You're going to pay more for that ticket at one of those sites, because they're buying it from me, then slapping their fee on top of that."

Even though Ticket King is an established business

with a brick-and-mortar presence in Minneapolis, St. Paul, and San Diego, Nowakowski's frustration is that people don't understand what he does. "The biggest misconception people have about this business is that we have some secret way of getting tickets, like computer bots. We don't," he says. "We get our tickets the same way any other fan does; it's just that we work harder at it, we've been doing it for a long time, and we know this market better than anyone."

The other misconception is that he makes money on every ticket. "The reality is, for every 10 tickets I make money on, there might be 15 or 20 I lose money on," he says. "I assume all the risk, and only make money if I guess right. Sometimes I do, sometimes I don't."

Most people associate the secondary market with providing supply for sold-out, high-demand events. Tickets to popular concerts, Broadway shows and sporting events are now almost always available to anyone who is willing to pay. But when demand outstrips supply too dramatically, the ensuing feeding frenzy can drive prices into the stratosphere.

In October, the Chicago Cubs went to the World Series for the first time in 71 years. Fans flooded into Chicago from all over the country, utilizing a secondary market that allowed them to purchase tickets from as far as Thailand with a home computer or smartphone. The downside of this expansion of availability was the demand market became exponentially larger, which drove ticket prices to a minimum of 10 times face value for what many saw as a once-in-a-lifetime event. Tales of tickets going for more than \$10,000 were not uncommon. Better deals could be had on in-person transactions on Craigslist or outside the ballpark, but you needed lots of cash and a tolerance for risk.

Democratizing ticket selling

Research is a constraint of the secondary market, means not increases and the secondary market, means not in a relegitimate, or if the seats are any good, or if you are paying way more than you should. Indeed, reducing risk for the consumer is one of the touted benefits of electronic ticketing over street bartering. The Minnesota Vikings switched to an all-electronic system as part of their move to U.S. Bank Stadium, and according to John Penhollow, Vikings vice president of corporate and technology partnerships, instances of fraud (usually invalid tickets printed from a PDF and sold to people unwittingly) have dropped from 9 or 10 percent every game

Ticket King week before the show: \$60-\$70

Ticket King day of show: \$20-\$30

down to 1 percent.

But e-ticketing doesn't solve every problem for a venue.

"Unfortunately, people don't always [do due diligence] on who is selling them tickets," says Tom Hoch, president and CEO of Hennepin Theatre Trust, which presents Broadway shows, concerts, and other theater events at the State, Orpheum and Pantages theaters in downtown Minneapolis. "They may have bought it from a site that looks like ours, but isn't. Then, if there is a problem-if the ticket is [counterfeit], or the sight lines are bad, or weather cancels a show-we have to deal with the fallout. They complain to us, but there's not much we can do, because we didn't sell them the ticket." The combination of paying too much for a ticket and having a bad experience is toxic for his business, Hoch says. "Our goal is to make sure our patrons have a great experience so that they want to come back, and I don't see where the secondary market helps us fulfill that goal."

When the Twins moved to Target Field in 2010, says Mike Clough, vice president of ticket sales and service, they implemented several policies to limit broker activity and ensure that as many seats as possible are directly available to fans.

For one, season-ticket purchases are limited to blocks of eight for regional residents and blocks of four for non-residents. All new season-ticket requests are reviewed by management, says Clough, and if something "looks fishy"-if it looks as though someone is trying to skirt the rules to gobble up seats-they'll investigate. "Our policy is to try not to sell to people whose sole intent is to resell them," says Clough. "If it happens, sometimes we'll pull all of their seats. Most vendors get that now." The Twins also use a variable pricing model in which the ticket price is based on how much demand the team expects for a game.

The goal, says Clough, is to "align ourselves to true market demand," so that few tickets end up on the secondary market.

In essence, this demand-based pricing means that if tickets to a Twins game start showing up on the secondary market for less than face value, the Twins also must lower their prices to reflect the true demand (or lack thereof) for that game.

Indeed, the secondary market has been a boon to sellers wanting to unload "distressed inventory" they don't want or can't use (typically games from season-ticket packages). Tickets for low-demand games are typically

sold at a substantial discount. This eats into same-day and near-term sales at the box office, because the public knows lower prices for better seats are available online. It also makes it more difficult for brokers like Ticket King to make much, if any, money from those sales.

"The thing that affects my business most is losing teams," says Ticket King's Nowakowski. "And unfortunately, we've had a lot of those around here. When the Twins lose, I lose."

As the Timberwolves found out last year, losing teams that work too hard to stop season-ticket holders from undercutting their pricing model will experience blowback. A group of disgruntled ticketholders sued the team over its 2015 switch to an all-electronic ticketing system called Flash Seats, controlled by AEG Inc., which manages Target Center. The suit has been sent to arbitration, but it has opened a legal argument over what a ticket really is (property rights contract or revocable license?), and the rights buyers have.

"When a fan buys a ticket, they have expectations about what they can do with it in terms of giving it away or reselling it," says Brian Gudmundson, a partner in law firm Zimmerman Reed, who is representing the plaintiffs in the Wolves case. "There's nothing wrong with electronic ticketing per se, but when teams starting using it to limit what fans can do and artificially control the market, that's not right. As we move into all-electronic ticketing, these questions need to be asked and resolved in order to get some guidance going forward."

A piece of the action

obile phones and apps are the new battleground for ticket revenue. And one way teams all over the country are attempting to exert some influence over the secondary market is by encouraging fans to use their mobile app to access a proprietary secondary market rather than outside channels.

Enhancing "fan engagement" is the stated purpose of the MLB Ballpark app, since in addition to maintaining your personal inventory of game tickets, the app provides maps of the ballpark, concession menus, special offers during the game and other features. It also allows fans to transfer tickets free of charge. Ticket holders can't resell their tickets directly through the app yet, but they can use their online season ticket account to print or resell tickets through a StubHub exchange run by Major League Baseball.

Likewise, the Vikings have developed an app that

TICKETS *** 2 *** TICKETS

MAKING THE CHANGING TICKET LANDSCAPE WORK FOR YOUR BUSINESS.

Businesses purchase much of the inventory of pro and college athletic tickets. The changing secondary market has, in most respects, given businesses and consumers greater flexibility and

Tickets unclaimed by clients or staff can usually be repurposed to the secondary market to recoup at least a portion of the lost investment or sometimes for profit. consumers to manage pricing in real time, as market conditions shift.

Since tickets are often available on the secondary market below the season ticket holder's price, teams have had holders via food discounts, club venues and special invitation-only events to maintain an incentive for the season ticket

⋇

Electronic ticketing, with the kind of restrictions imposed by the Timberwolves' Flash Seats, can make it difficult to repurpose tickets to the secondary market, forcing ticket owners into proprietary redistribution channels with pricing restrictions that may not jibe with market conditions. So far, the Wolves are the only local team who make it impossible to resell on the broad online secondary market. Its tactics are being tested in court—the outcome could have precedent -Adam Platt

"In my view, musicians like Adele and Beyoncé and their representatives are 100 percent responsible for the conditions that guarantee a secondary market above face value."

-Mark Perry, economics professor, University of Michigan-Flint

allows fans to pre-order concessions for instant pickup, and may eventually allow them to order concessions delivered right to their seats. The app itself is part of a larger strategy to channel fan interaction with the team through their phone.

"We're not going to change everyone's behavior overnight, but our goal is to provide our fans with an easy, frictionless experience through their mobile device," says Penhollow. The Vikings no longer print hard-stock paper tickets, but fans can transfer tickets to a friend or colleague with a tap of their finger. "There are always going to be reasons why people can't make it to the game, and the app makes it much easier for people to give their ticket to someone who can use it."

The Vikings deliberately did not provide any reselling functionality in the app. "We don't want to get in the middle of those transactions," insists Penhollow. What the team does do is encourage fans who want to resell their tickets to use a fan exchange run by the National Football League in partnership with Ticketmaster.

"We don't want people to get burned. Ticketmaster is trustworthy," says Penhollow, "and we have a good relationship with them."

Such semi-formal arrangements between teams and secondary sellers are common. The lines between primary and secondary sellers are blurring as well. Ticketmaster is the nation's top primary-ticket seller, for instance, but it also operates two resale sites, TicketsNow and Ticket-Exchange. Likewise, StubHub made its reputation as the scalper for the digital age, but recently rolled out a new "all-in-one" service offering both primary and secondary tickets on its site. Before StubHub made that move, however, it sued Ticketmaster (and lost) for allegedly trying to prevent people who bought their tickets through Ticketmaster from reselling them through StubHub and other third-party sites.

On the broker side, keeping pace with technology represents both challenge and opportunity. According to Nowakowski, Ticket King has a Flash Seats app, "and we sell thousands of Timberwolves tickets every year."

The main way in which technology has changed Ticket King's business is by redrawing the playing field. "The margins in this business used to be greater, but we made less money [overall]," he says. "Now we sell more tickets and make more money, but the margins are smaller and the field is much more competitive. Consumers can buy tickets anywhere now."

Still, there's no science to what he does, Nowakowski insists. He doesn't use software to track sales or gauge demand for tickets. "The software is in my head," he chuckles. He prices tickets himself, and uses his experience, his gut, and knowledge of the market to eke out a living on ever-smaller margins, in a business where he actually loses money as often as he makes it.

"What would really help my business the most is a few winning teams," he says. "It's been a while since we had that."

Concert resale: A different ballgame

ticket is not just a contract for a seat, it is an entertainer's promise that something of value is going to happen while you're sitting in that seat. But people see "value" differently, and perhaps nowhere is the issue of legalized scalping more contentious than in the concert arena, where demand for tickets to see top acts such Adele, Beyoncé and Bruce Springsteen drives prices on

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the secondary market to exorbitant heights.

When a show sells out mere minutes after tickets officially go on sale, fans who can't get tickets usually blame a blitz of bots and brokers for snapping up all the tickets before anyone else has a chance. The truth is a bit more complicated, says Nowakowski. "Brokers like me always get blamed as the bad guy in these situations, but what the public doesn't know is that only a fraction of seats are actually available by the time tickets officially go on sale."

Indeed, a modern concert is a complex choreography of economic logistics and deal-making, most of which happens behind the scenes. To begin with, a certain number of premium tickets are held back by the artists, promoters, venues and sponsors—some of whom try to profit from their access by selling their tickets on the secondary market. Additionally, national touring acts who play Xcel and Target Center sell a large portion of their tickets through pre-sales programs offered through fan clubs, newsletters, credit cards, media outlets, social media and other channels.

Some pre-sale tickets end up on the secondary market for the simple reason that brokers haunt fan clubs and take full advantage of every opportunity they can to score tickets for resale—a practice artists and fans detest. Indeed, many of today's ticket brokers operate like stockbrokers, using data analytics to predict market demand and spreading their risk over hundreds of different events. Then there are all the individual buyers who purchase, say, four tickets, with the intent of reselling two of them to recoup their costs.

By the time the venue box office officially opens, then, there might only be a couple thousand tickets left for sale to the general public. And as soon as the phone lines open, those are scooped up in seconds by a frenzy of aggressive brokers still looking for tickets, rabid fans dialing in by the thousands and the occasional (albeit illegal) computer bot.

Scalpers often get the blame for high secondarymarket ticket prices, but in a free market, many argue, it's actually the artists and promoters who sow the seeds of their own (or at least fans') discontent by selling tickets too cheaply so they can sell out the venue quickly, and/or by not providing enough seats to satisfy demand.

"In my view, musicians like Adele and Beyoncé and their representatives are 100 percent responsible for the conditions that guarantee a secondary market above face value," says Mark Perry, an economics professor at University of Michigan-Flint who writes frequently about ticket scalping. "If they priced their tickets closer to their true market value and did a better job of supplying the demand for their live performances, the secondary market they so despise would evaporate."

Perry points to Garth Brooks as an example of an artist who is marketing his shows logically. In 2014, Brooks matched demand for his talent by providing his fans in Minneapolis with eleven shows, not just one or two. The result, notes Perry, is that the secondary market for those shows was almost nonexistent, "because anyone who wanted to go could get a ticket." But because most artists play one show in a given city and leave, supply almost never meets demand.

High concert prices get all the headlines, but it's also true that there are plenty of deals available on the secondary ticket market—for example, when Stevie Nicks performed solo at Xcel Energy Center on December 6 (see infographic). Ticket King's Nowakowski lost some money that night. "It turns out that when Stevie Nicks isn't playing with Fleetwood Mac, her tickets are worthless," he says. "But that's the way it goes sometimes."

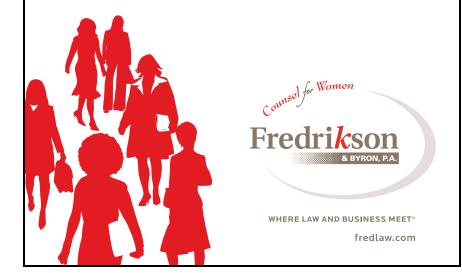
Fans may not like or completely understand it, but a ticket's "face value" on the secondary market is just an arbitrary starting point, after which the law of supply and demand determines a performance's value; it's really as simple as that. Behind the scenes, however, a complicated dance between opportunity and opportunism plays out every day. Some still call it scalping, but more and more of us simply think in terms of what we're willing to pay, and hope the event lives up to the price. tcbmag

TCB contributing writer Tad Simons is a longtime multi-award-winning Twin Cities arts writer and critic.

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CONGRATS TO OUR WONDER WOMAN!

Carrie's recognition, alongside her peers in local leadership, demonstrates the kind of impact she's had on our team at GovDelivery. We provide technology for people changing our world, and we are proud to have Carrie lead us along the way. Congrats to Carrie and fellow honorees!

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2017 Wonder Women

Five outstanding business leaders who use their influence to help others.

On the following pages, you'll meet some remarkable business leaders—with all their professional and philanthropic commitments, you might wonder whether any of them gets (or needs) a full night's sleep.

One has had a wind turbine installed that not only powers her production facility, but can also provide a little extra juice to her hometown. Another runs three businesses (two of which she started), while making time to help other women entrepreneurs succeed. Another founded a charity that helps cancer patients pay their bills when they're unable to work, while running a distinctive technology business. Then there's the HR director who's using her expertise to help shape regional technology strategy. Rounding out this year's Wonder Women roster is one of the most prominent business leaders in the state, who has lent her guidance to many notable nonprofit boards.

Twin Cities Business is recognizing these businesswomen this year not only for their own outstanding achievements, but also for serving on and often steering organizations and spearheading causes to improve Minnesota's culture and economy—even as they've helped others pursue their own goals and aspirations.

Twin Cities Business' 2017 Wonder Women are:



Lynn Casey Chair & CEO PadillaCRT



Carrie Cisek VP of Human Resources GovDelivery LLC



Christine Lantinen President & Owner Maud Borup Inc.



Heather Manley President & CEO On-Demand Services Group Inc.



Michelle Morey President Magnetic Products & Services Inc.

Join us as we honor these trailblazers within their fields.

2017 Wonder Women Awards Wednesday, February 22 Metropolitan Ballroom 5418 Wayzata Blvd., Golden Valley 5 p.m. Registration 6 p.m. Awards program

For more information, contact Grace Famestad at 612-336-9288, gfamestad@tcbmag.com

Presented by:





Lynn Casey Chair and CEO,

PadillaCRT

by Gene Rebeck

Headquarters: Minneapolis; offices in San Francisco, New York, Washington, D.C., Chicago and Richmond, Va. Employees: 240 Revenue (2015): \$34.8 million Markets: Media relations, brand strategy, advertising, design, digital, social, mobile, events and crisis management

Milestones

- 1983 Lynn Casey joins Minneapolis PR agency Brum & Anderson, which merges with local rival Padilla & Speer (later Padilla Speer Beardsley) in 1987.
- 2001 Padilla Speer Beardsley appoints Casey CEO.
- 2007 Casey is named nonprofit director of the year by the Minnesota Chapter of Women on Boards.
- 2013 Padilla Speer Beardsley nearly doubles its size by acquiring Virginia-based CRT/tanaka; the combined firm is named PadillaCRT.
- 2014 Casey is inducted into the Minnesota Business Hall of Fame.
- 2015 PadillaCRT acquires Richmond, Va.-based brand strategy "boutique" Joe Smith to enhance its existing brand development and engagement capabilities.
- 2016 PadillaCRT acquires FoodMinds, a Chicago-based communications and consulting firm specializing in food and nutrition.

ynn Casey has been a high-profile success story in the Twin Cities business world for three decades. And she has succeeded largely by being low-profile in her leadership style. As chair and CEO of Mineapolis-based PadillaCRT, Casey has

transformed the local PR firm formerly known as Padilla Speer Beardsley into a national branding and communications powerhouse. Most of that expansion has occurred in the past five years. But she credits her colleagues for making that growth possible.

"Lynn is a very quiet and very subtle leader," says Sarah Caruso, president and CEO of Minneapolis-based Greater Twin Cities United Way. "She prefers not to be out front. She doesn't have 'charge-up-thehill' leadership. Rather, she is a facilitator and a listener."

Caruso credits Casey, who recently completed a term as the organization's board chair, for "making me a better leader." Casey's quiet, thoughtful style has helped the United Way board take a "balanced approach to some of the toughest issues in the community," Caruso says.

Casey also has served on the board of the University of Minnesota Foundation. "She absorbs the topic first," says board colleague Mike Fiterman, chairman and CEO of New Hope-based packaging manufacturer Liberty Diversified International. "Then when she has something to add, she asks it in such a professional way that many times you say, 'Huh! Why didn't the rest of us think about that?'"

Even with her very full plate leading PadillaCRT, Casey makes time to take on major nonprofit commitments. "Giving back to the community is in our organization's DNA," Casey says. Spoken like a quiet leader.

Lynn Casey was inducted into TCB's *Minnesota Business Hall of Fame in* 2014. *Read the story at bit.ly/2ibS1hj.*



Q&A

First experience as a leader | I was the editor of my junior high school newspaper. There was a writer who covered sports. This particular person was better on the field than he was a writer. I did a full rewrite of his first sports story. When he saw it, he came up to me and said, "I was hoping we could have sat down and explain why you pretty much hacked up my story." It turned out that his dad was a sportswriter, and he really wanted to do well. That was the first time that I was really exposed to the notion that people wanted constructive feedback.

Hardest lesson | Several years ago, I pushed a really talented person through the hiring process over the objections of some of the senior leaders. I was looking to build a new capability, and this person was an absolute fit for the job in terms of expertise, but was not at all a fit for our culture. Fortunately, a few of the folks here made sure that I was aware of that poor cultural fit. When you want something so badly, sometimes leaders can put their blinders on.

Proudest accomplishment | Three professional marriages over the course of two and a half years, and from a company that had not made an acquisition since 1987. That was and still is a really big deal. Our first acquisition tripled the size of our New York office and also added other geographies.

Carrie Cisek

Vice president of human resources,

GovDelivery LLC

by Suzy Frisch

Headquarters: St. Paul Employees: 235 Revenue (2015): More than \$40 million Markets: 1,800 government agencies in all 50 states, plus 100 clients in the United Kingdom

Milestones

- **1998** Carrie Cisek co-founds SafeRent, a Denver start-up focused on fast online apartment applicant screening; she becomes the company's director of human resources before its sale in 2002.
- 2004 Cisek launches One Two Nine, a Minneapolis-based consulting firm that provides human resources and internet research consulting services.
- 2005 Cisek co-founds a charter school in Columbia Heights, the Academy of BioScience, where she also developed curriculum, taught fifth grade and established and administered benefits.
- 2010 Cisek joins GovDelivery as director of human resources after serving as an HR consultant there for five years.
- 2016 GovDelivery merges with Colorado-based Granicus Inc., another government-focused technology company.

arrie Cisek firmly believes in continuous improvement, and she's always seeking novel ways to do things that further business and employee objectives. GovDelivery CEO Scott Burns saw Cisek in action when they worked at another company, and it's why he hired her to lead human resources.

Now vice president of human resources, Cisek's guidance has helped GovDelivery LLC forge strong growth. Burns gives ample credit to Cisek and her mission to create a culture of transparency that has boosted employee engagement and retention.

"Carrie looks at things with fresh eyes, and that's intertwined with bringing a lot of humility to each situation," Burns says. "She doesn't assume she has the best answer. She goes out and listens and talks to people until she finds the best solution. She believes that every single thing in this business could be better. That's really an asset when you're trying to grow."

Cisek also has been contributing her talents beyond her office. In 2015, she joined the Ramsey County Workforce Innovation Board. And last year, Cisek joined the tech team of Make It. MSP. It's an initiative of metro-area economic development organization Greater MSP that partners with employers to help the region maintain its competitive advantage. Maintaining such an advantage is something she knows very well.



Q&A

First experience as a leader | I was a competitive gymnast, and I went to a small school where I could be a class president and captain of different sports teams. Through sports especially, I learned perseverance and resilience, and the strength to deal with setbacks. It really helps with coaching and taking and giving feedback. You learn fortitude and how to encourage team members and provide support.

Hardest lesson | We were rolling out some stock options at the first start-up I worked at. Some people weren't all that enthusiastic about the additional shares they were receiving. The CFO told me, "You can give everyone a brick of gold and someone will complain that they have to carry it to their car." It caught me off guard that someone would be dissatisfied. I was disappointed because I thought it was a win. Now I don't take it personally—it's just human nature. It's impossible to please everyone.

Greatest challenge | We're going through a merger right now. I think that will be the greatest challenge of my career. There is a lot for us to sort out in a short window of time. We want to make sure we're making decisions that are well-received and keep the trajectory of our business on track. It would be easy to make some missteps that could derail or demotivate employees. I hope we raise the bar with best practices from both sides, and that there are real, tremendous benefits from this new entity.

Christine Lantinen

President and owner,

Maud Borup Inc.

by Gene Rebeck

Headquarters: Minneapolis; assembly facility in Le Center, Minn. *Employees:* 100-plus

Revenue (2015): \$10 million to \$20 million

Markets: Wholesale candy and food gifts for retailers; some corporate gift packages

Milestones

- **1907** Maud Borup begins making her homemade chocolates. The first freestanding Maud Borup Candies store opens in St. Paul three years later; over the decades, Maud Borup candies would be purchased by royalty, including Queen Elizabeth.
- 1992 Christine Lantinen joins the Army Reserves, attaining the rank of sergeant.
- 1999 Lantinen joins Target Corp. as a liaison between company buyers and overseas product suppliers; two years later, she is named sales and marketing director for Minnetonka-based Bay Island Inc., where she develops and markets seasonal food gifts for mass-market retailers.
- 2005 Lantinen buys the Maud Borup brand, converting Maud Borup Inc. into a wholesale candy and food-gift company.
- 2011 Maud Borup introduces eco eggs, Easter-season plastic eggs made from plant-based bioplastic.
- 2013 The company opens its own packaging facility in Le Center, Minn., near St. Peter.
- 2016 Maud Borup installs a wind turbine in Le Center to power its plant.
- 2017 The company begins a 30,000-square-foot expansion of its Le Center facility, bringing the total square footage to 50,000.

t was one of the business lessons Christine Lantinen learned in the Army Reserves: Make your team look good. "It's not about one person standing out," she says. "It's about us being great as a group."

In the 12 years since Lantinen became owner and president of Minneapolis-based Maud Borup Inc., she has made a lot of her clients look good—and her clients' customers very happy. Maud Borup manufactures and assembles food gifts filled with confections, candy, hot-beverage mixes and other food items for a variety of retail clients. These are mostly seasonal items packed with products from well-known brands.

One of those clients is St. Paul-based Pearson Candy Co., which has supplied Maud Borup with salted nut rolls for Borup's Valentine's Day "golf mug" gift package, which retails at Target Corp. Lantinen's firm also has helped with specialty product packing and packaging. "They are a creative and value-added partner of ours," Pearson's president and CEO Michael Keller says. "They don't simply pack a product or recommend a piece of packaging. We work with them on the solutions that we need and the solutions that they need."

Keller and Pearson plan to do more business with Maud Borup in the coming year. And they're not the only ones. To accommodate her growing business, Lantinen is expanding her production and assembly facility in Le Center, Minn., Lantinen's hometown. She also recently installed a wind turbine to power the plant.

Maud Borup Inc. was an honoree of TCB's 2014 Minnesota Family Business Awards. Read the story at bit.ly/2iF2nHo.





First experience as a leader | I joined the Army Reserves when I was 16. By the time I was 18, I was training "pre-basics" at my unit to prepare them for basic training. A lot of them were going to war following basic training preparing them on how to march, how to do military pushups, how to tear down and reassemble an M-16 in less than four minutes, how to salute. Most of them were 16- to 18-year-olds. They were peers to me at the time, and I cared a lot about them as people, and I wanted to train them the best way possible. I think that taught me how to look out for each other, how to have each other's back.

Hardest lesson | I feel like every day I learn lessons. I make mistakes. And whenever you start to feel as though you're on top, it takes only one event to bring you down. So I don't take anything for granted. It can all be gone in an instant.

Proudest accomplishment | We've worked very hard to be a sustainable company, and that's something both my husband and I are passionate about. We have over 30 things that we do as a company to be sustainable. The biggest thing is this: We just erected a 92-foot-tall wind turbine at our facility. As of the first of [this] year, it will start powering our Le Center plant. We'll sell the rest of the energy it generates back to the city.

Heather Manley

President and CEO,

On-Demand Services Group Inc.

by Fran Howard

Headquarters: Minneapolis Employees: 90 Revenue (2015): \$10 million-plus Markets: IT consulting and staffing, and provider of offshore development

Milestones

2006 Heather Manley joins On-Demand Group (ODG).

services in the Philippines across many industries

- 2009 Manley is NAWBO Young Business Owner of the Year.
- 2011 Manley launches Heather's Dirty Goodness, a spice company.
- 2013 Under Manley's leadership, ODG creates subsidiary Diversify IT Inc., a managed service provider.
- 2013 Manley launches Minneapolis-based Crooked Water Spirits.
- 2014 Crooked Water is named Women Business Enterprise of the Year by the Women's Business Development Center of Minnesota.
- 2016 Massachusetts-based Initiative for a Competitive Inner City names ODG as one of the nation's fastest-growing inner-city companies.

ithin a 10-year period, Heather Manley has become the owner of three successful businesses, two of which she founded. And yet she always wants to take on more. In 2006, Manley started working at On-Demand Group (ODG), an IT consulting firm started by her father, Richard Manley, in 1996. Two years later, having just turned 30, Heather, with her brother Sean, purchased the firm. At that time, ODG had annual revenue of about \$1 million. Since the buyout, ODG has grown at an annual rate of 20 percent to 40 percent. In 2016, revenues exceeded \$10 million.

Meanwhile, Manley also is running Heather's Dirty Goodness, a spice company with five rubs, which she launched in 2011; and Crooked Water Spirits, a boutique distiller of bourbon, vodka and gin, which she started two years later. Both companies are based in Minneapolis.

Manley has also been active in local women business organizations and served as president of the Minnesota chapter of the National Association of Women Business Owners (NAWBO). "I told Heather to put her name in the hat for president," says Jill Johnson, president and founder of Minneapolis-based Johnson Consulting Services. Johnson saw that Manley, though only 30 at the time, had the traits of a leader: executive presence, outstanding insight and business savvy.

Manley became president of NAWBO's Minnesota chapter in 2011 and worked with Johnson to launch the Minnesota Women Business Owners Hall of Fame. "Heather's insight and knowledge about food created elegance and ambiance and brought the event to the elevated level it needed to be at," Johnson says.

Johnson also notes Manley's desire to help women gain major recognition and help transform them into leaders and business owners.

"I consistently meet with women looking to start a business or fasttrack their growth of their existing business," Manley says. "I also speak on panels with the Women's Business Development Center on how women can leverage their certification to partner with big business."

Heather Manley was featured as one of Minnesota's young billionaires in TCB's March 2014 issue. Read the story at bit.ly/2iQpkXM.



First experience as a leader | My first opportunity as a leader was at [Bloomington-based IT services company] Cable Imaging Solutions. I started as a second-shift supervisor, and after six months, I was promoted to general manager. Other people wanted the job and were qualified, but my boss offered the position to me. It created a unique opportunity for me—a 24-year-old female in the manufacturing industry—to manage production for a \$20 million company.

Hardest lesson | I was only at Cable Imaging a few months before I realized there were major issues within management and operations. There was growing discontent with the staff, and projects were improperly quoted, which led to being unprofitable or late. I told one of the senior leaders about these issues. My only goal was to let leadership know what was wrong. They were completely unaware of what was happening. Speaking up and doing the right thing is not always easy, but it can also lead to opportunities.

Best habit | My willingness to take chances and have experiences leads to so many fun things. When I decided to make a bourbon, I just picked up the phone and started asking questions. Three years ago, I entered a cupcake contest in Minneapolis because I love to cook. I ended up going to the national competition in Las Vegas.

Michelle Morey

President,

Magnetic Products & Services Inc.

by Ingrid Case

Headquarters: Brooklyn Park Employees: 10 Revenue (2015): \$9 million Markets: Banks, insurance companies, colleges and universities

Milestones

- 1989 Michelle Morey joins Magnetic Products & Services Inc. as a sales rep.
- 1997 Morey is named director of sales and marketing.
- 2002 Morey becomes president, and Magnetic Products & Services earns women-owned business certification from the Washington, D.C.based Women's Business Enterprise National Council.
- 2003 Morey begins four years of service on the Women's Business Enterprise National Council's steering committee.
- 2005 Morey launches Pay It Forward, a nonprofit to help breast and women's cancer patients pay basic living expenses.
- 2009 Morey joins the board of the North Memorial Foundation, where she serves until 2014.

n 2004, Michelle Morey was diagnosed with breast cancer. "I was out of work for five months, and I had no financial stress," recalls Morey, president of Brooklyn Park-based Magnetic Products & Services Inc. "My best friend from college had breast cancer two years before me, when she was a single mom with three kids and running her own cleaning business. A bunch of friends stepped in to help her. I realized what could happen if you didn't have that support."

At the end of Morey's cancer treatment, she and her husband, Scott Bissen, began donating money to North Memorial Medical Center in Robbinsdale to help other cancer patients pay their bills. Some of the money went to turn a patient's water back on, which also kept the woman's children out of foster care. With stakes like that, Morey says, "I realized that our monthly donation wasn't going to be enough." So the couple launched Pay It Forward, a charity designed to help cancer patients manage their financial obligations during treatment.

Leslie Glaze, a retired University of Minnesota grant writer, volunteers in a similar capacity for Pay It Forward. She says that Morey's drive and optimism originally attracted her when the two met a few years ago. "She's got the passion and she's willing to do the hard work," Glaze says. Now in its 12th year, Pay It Forward works with 13 local hospitals and has paid \$1.9 million in patient expenses.

Meanwhile, Morey continues to run Magnetic Products & Services, which buys and sells computer backup tape. At its 2007 height, the company had 50 employees and annual revenue of \$32 million. It's a smaller business these days, since most organizations use newer technologies for data backup. Morey and her sister, Kristine Hunter, who co-owns the company, considered branching out into disk and cloud storage, but decided against it. They're happy running a small specialty business.

"Tape is still the cheapest, most cost-effective way to back up data, especially if the client has to archive backups for long periods of time," Morey says. Tape, she believes, will never go away completely: "The plan that works for us is to make as much money as we can with tape, for as long as we can."





First experience as a leader | [In college, Michelle Morey's flag football team earned a trip to the Sugar Bowl in New Orleans, making the drive in a rented Winnebago. Morey helped organize and fundraise for the trip.] I needed help from a teammate and started to ask her for help, and then I stopped and said, "Never mind, I'll do it myself." She said, "You don't trust anyone else to do it right." I realized that I wasn't finding the right words for what I needed. That moment helped me better communicate and better delegate in the years to come.

Hardest lesson | The hardest lesson is learning to manage the business's lifecycles. Our employees are such a strong family—the least amount of time anyone has been here is 14 years. It was a lot of fun to run it up, but to let people go when we downsized was one of the hardest things I've had to do.

Best habit | Maintaining relationships. I reach out to people and stay connected.

Uncharted Territory

The Trump administration and rising interest rates will create new financial terrain for Minnesota bankers and their business customers.

By Burl Gilyard

Bankers have a front-row seat to track the ups and downs of the economy. Lenders who work with small business owners and other companies don't need to look at polls and statistics to gauge current confidence in the economy: They can see first-hand what their clients are doing—or not doing—with their businesses.

Here's what they are seeing today: Business owners have seen a few years of gradual but consistent sales increases. Operators are generally optimistic about 2017, but are still wary about a reversal of fortune. Businesses that survived the Great Recession have clung to the conservative financial habits they adopted during the downturn. That means they have healthy balance sheets, but have been sometimes cautious about spending money on

expansion, equipment or real estate. As they look down the road, there is uncertainty. Finding and retaining good employees has become increasingly challenging. They have been careful about tapping lines of credit. What will happen with interest rates and what the new president will truly mean for business remain unknowns. They may be seeing sales start to plateau, so they are scanning the horizon for potential mergers or acquisitions as an avenue to growth.

"It was really tough for them to grow their top lines," says Ken LaChance, a senior vice president and middle market manager for Wells Fargo, citing a challenge that he saw for clients in 2016. "They have to do more strategic things themselves. Some did acquisitions, while some added a product line. They had to change or alter the status quo."

For years bankers have been expecting interest rates to rise at some point, but in recent years, rates have barely budged—the prime rate has been below 5 percent since 2010. A 25 basis point increase by the Federal Reserve in December 2015 marked the first increase since 2006. In the wake of the election, interest rates started to creep up, but have remained at low levels.

No guesses on the future

After several years of wrong interest-rate forecasts, bankers are disinclined to make "crystal ball" predictions for 2017.

One veteran banker says that making such forecasts is a fool's game.

"There are people who don't know what's going to happen, and those that don't know that they don't know," says Steve Block, market president for Sioux Falls, S.D.-based Great Western Bank. He says that a number of challenges remain for small business operators as they weigh potential expansion or acquisitions.

\$

"I don't remember a time when the small business owners have been so impacted by government and regulation. The burdens of operating a business are tough. There's a lot of uncertainty out there for them," says Block. "They've been sitting on capital, usage of [credit] lines is down. There's just uncertainty out there for the typical small business owner."

Block takes a long-term, big-picture perspective. He started his career in the financial services industry in 1980, when the prime rate was approximately 20 percent—a startling statistic for those who think that interest rates have always been as low as they are today.

"As the economy normalizes, so will the rates, but I can't tell you when or how fast," says Block. "I don't think it's going to be a dramatic ramp-up." Block says that he thinks large-scale projects

Battling Banks Benefit Borrowers

Bankers acknowledge that competition to land commercial loans is intense. In a recent national banking survey, 76 percent said that they were easing loan conditions to land more deals. Survey question: "In response to increased competitive pressures, indicate which aspects of commercial loans you are relaxing."



SOURCE: KPMG LLP, 2016 REGIONAL AND COMMUNITY BANKING INDUSTRY OUTLOOK SURVEY. JULY 2016

like U.S. Bank Stadium or the light-rail Green Line helped boost the economy in the Twin Cities.

"There's been a lot of that activity that's sort of buoyed the local economy. That's a lot of economic impact," says Block. He adds that he's not seeing many similar large projects on the horizon. "I don't know what's out there of that magnitude."

One of the emerging themes for 2017 that nearly every banker mentions is that they see clients wrestling with trying to attract and retain good employees.

"Most of our business clients are deal-

ing with some wage pressure and trying to find qualified people. We're essentially at full employment," says Dave Rymanowski, senior vice president and chief business banking officer with Chaska-based KleinBank. "That's a cost that businesses are dealing with."

Rymanowski says that climbing interest rates have actually prompted some deal conversations to speed up, rather than slow down: "It may be more expensive to do this [in 2017]."

While results vary from bank to bank, Rymanowski says that he saw a slight slowdown during the last half of the year.

But he notes that rising rates are a good sign for the overall economy.

"I would say it was a solid year. We experienced a little softness towards the end of the year," Rymanowski says of 2016. "The irony in rising interest rates is that means the economy is strong. [They have] just been so low for so long you kind of forget about that."

Avoiding overconfidence

Another gauge of the economy is the volume of loans approved by the U.S. Small Business Administration (see the chart on page 34). For the federal fiscal yearwhich ended September 30, 2016-Minnesota saw a total of 1,949 SBA loans for \$685.3 million, up 15 percent from \$594.3 million for fiscal year 2015. Minnesota ranked 15th in the nation based on total loan value for federal fiscal year 2016. SBA loans are made by banks but are guaranteed by the federal agency.

As the loan margin yield has become thin for banks, many have looked to add fee-based services for customers. At Wells Fargo that includes treasury management services to handle company payables and receivables, electronically collecting and dispensing company cash.

"It puts us in an advisor chair," says LaChance. "It allows you to better understand your customer."

In some regards banks are seeing the same pressures as their customers: They're looking at potential deals for their own growth.

"There's been a real drive for growth, both organically and through mergers and acquisitions," says John Depman, national leader, regional and community banking for New York-based KPMG LLC.

At the same time, bank customers



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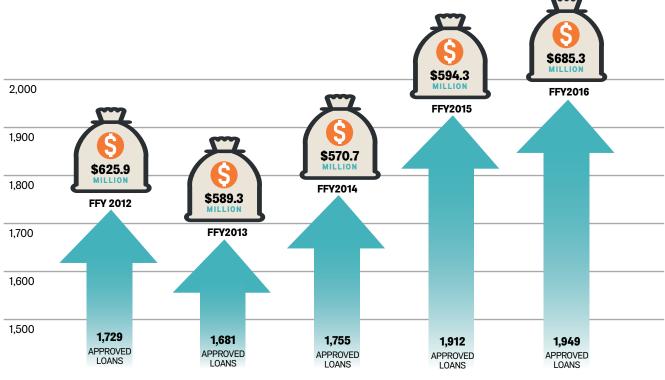
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SBA Loans Up in Minnesota

In one sign of small business confidence, SBA lending in Minnesota increased by \$91 million in federal fiscal year 2016, compared to the previous year. Minnesota ranked 12th in the nation for 2016 for the total number of loans and 15th for the dollar amount of the loans.

FFY = Federal Fiscal Year



NOTE: THE FEDERAL FISCAL YEAR ENDS SEPTEMBER 30. SOURCE: U.S. SMALL BUSINESS ADMINISTRATION

Economic Optimism

Q & A: Carol Schleif, Deputy Chief Investment Officer, Abbot Downing | By Liz Fedor

Carol Schleif launched her investment career in 1983 as a market strategist with Piper Jaffray & Hopwood. In August, she was promoted to deputy chief investment officer for Abbot Downing, which manages \$37 billion in client assets for ultrahigh-net-worth clients. Abbot Downing is part of Wells Fargo.

Schleif now has national responsibilities, but continues to be based in Minnesota. She sat down with Twin Cities Business in Minneapolis to discuss her investment outlook. What follows are excerpts of the interview, which were edited for length and clarity.

Q: When you look at the economy in 2017, what are your overarching expectations in terms of growth and other key indicators? Do you think we will see more robust growth? A: There is a distinct likelihood that we may see a higher growth trajectory. Even at the margin, business optimism is greater than it has been in some length of time because when you look at the last six or eight years, it has really been a trying-to-avoid-depression period of time. We were eking our way along with monetary policy being the only factor at play.

And now you've got a lot of conversation about fiscal policy, about government at the table, about keeping business at the table. So if you are a business owner and thinking about bringing people on or expanding a plant, the optimism is definitely on the uptick. But similar to what the markets have done since the election, they are also presuming a higher level of inflation. So that is another one of the areas that we will be watching closely. Does the bond market overshoot like most markets are wont to do and run ahead of where the fundamental inflation is? So that will be

something for investors to keep a close eye on.

Q: What are your observations about what may happen with American workers? Toward the end of 2016 we were seeing that

wages were going up slightly. We have heard a fair amount of discussion about labor shortages.

A: We suspect that workers, to the extent that inflation does tick up, will be one of the primary beneficiaries. It may take a while to cycle through large companies to address incomes. But we've never stepped on the accelerator at the Fed level with the country being at full employment and the country is at full employment. You've got boomers rolling off, and you've got well-educated millennials moving in. So there is just a lot of pressure on the wage front, particularly for the most highly skilled.

Q: When you look at the state of the U.S. economy, what are you the most optimistic about in 2017?

A: The elections obviously were very raw for many, many people, but there were a lot of people discussing different issues. There's a chance to take a fresh look at a lot of different things and have different players at the table. We all have a chance to get involved. That's a huge positive in the long run if we can shake up the status quo and look at things differently. I'm also optimistic that we'll see some real thought process around training and education. You've got the discussion about do we limit the tech visas for people coming



in. If that does transpire it'll mean that we have to innovate pretty rapidly in terms of improving our STEM training. It'll accelerate that process and I think that's healthy.

Q: What worries you the most about the U.S. economy in 2017?

A: The interest rates if the bond market overshoots and people start to worry because the bond market dwarfs the stock market in terms of overall size. There are an awful lot of people invested in bonds, and bond funds in particular, who haven't seen real losses in their portfolios up until the last couple of months, and if that comes unwound in a big way, that could be pretty nerve-wracking.

Q: As someone who works with high-wealth clients, when you look at the changes in Washington-a new Republican president and a Republican-controlled Congress-what are some of the key issues you are going to be watching? A: I think tax rates, both corporate and personal. Many of our clients run smaller businesses, or have come out of small businesses or run funds that invest in small businesses, so lowering the individual tax rate would disproportionately help many of those small businesses. So taxes are a key thing, including what goes on with the estate tax and how that factors through. We will also be watching what happens with the carried interest [that affects] hedge funds and private equity.

Liz Fedor is the Trending editor of Twin Cities Business.

are looking for increasingly mobile options. "The expectations of the consumer are being set by the likes of Google and Amazon," he says.

Perhaps the best summation of the current mood for local lenders: They're feeling confident about the year ahead—but not too confident.

"What's been interesting in the last 18 months is there have been a lot more financing needs related to acquisitions than there has been [for] just pure organic growth and expansion," says Troy Rosenbrook, senior vice president and commercial banking group manager for Bloomingtonbased MidCountry Bank.

Rosenbrook says if a 50 basis point increase in interest rates is enough to scuttle a future deal, the potential transaction might not have been that strong in the first place.

"[Credit line] usage is generally down because I think many companies have improved their liquidity positions over the last five years," says Rosenbrook. "I think there's still a fair amount of liquidity in the market that has not been fully deployed."

In some cases that has meant that banks are cut out of deals or have reduced roles.

Rosenbrook cites a deal that MidCountry is working on where the client company is pursuing an acquisition. But the money for the purchase is being provided by private capital; MidCountry will provide a line of credit.

"That's not the first one we've seen like that," says Rosenbrook of the hybrid financing arrangement.

Among bankers and business owners alike, no one thinks the sky is falling. But they also don't expect a sudden burst of explosive economic growth in the year ahead. "Cautiously optimistic" is the most bullish phrase that many will venture at the outset of 2017.

Mirror image of 2016?

Many say that 2017 will look a lot like 2016 for commercial banking. If that sounds familiar, it's because forecasters said that 2016 would resemble 2015. Ultimately, no one knows exactly what's in store for banks and their customers this year.

"Before the election we were forecasting a 2017 that looked a lot like 2016 in many ways—probably slow economic growth," says Todd Lee, executive vice president and Twin Cities managing director for Fargo, N.D.-based Bell Bank. "The extent to which any of that changes because of the election it's an unknown at this point. It's not only unknown for banks, it's unknown for borrowers."

In the wake of the November election, interest rates have started to climb, jumping significantly in a matter of weeks.

Janet Yellen, chairwoman of the Federal Reserve, announced in mid-December that the Fed would raise its benchmark rate by a range of 0.5 to 0.75 percent.

Because 2017 could usher in big changes, some bankers were seeing caution at the end of 2016.

"I was just talking with one of our bank presidents in the Twin Cities who said there are deals that he was working on that got put on hold. That tells you that our borrowers share our uncertainty about what the future holds," says Lee. "It's way too early for me to say that's a pattern."

He says that amid intense competition and low, stagnant interest rates, some lenders started making loans to customers that previously would not have passed muster.

"It's hard for banks to make money with skinny margins and everincreasing costs for regulatory compliance," says Lee. "There's no question that some banks in our market have eased credit in the past year or two in an effort to grow and survive in this low-interest-rate environment."

Lee says that Bell Bank did not relax its credit standards, but has confidence in the outlook for the economy. "Long-term, Bell is very bullish about the Twin Cities economy. We've been through a lot of cycles," says Lee. "You've got to be patient."

Another banker shares that perspective. "The economy is stable and there's optimism for greater growth opportunities in 2017 and beyond," says Andy Claar, senior vice president and market manager for corporate banking at Wayzata-based TCF Financial Corp.

"Most of our clients are taking a wait-and-see approach. Clients who expect tax rates to decrease [this year] are holding M&A deals until [later this year]," adds Claar. "Other clients are guardedly optimistic that a tax decrease will spur the economy and help to grow their businesses." tcbmag

Burl Gilyard is TCB's senior writer.

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Benidji

This former lumber town has rebuilt itself as a high-speed, regional center of enterprise —without sacrificing its "lumberjack" character.

by Gene Rebeck

Bemidji Region's Business Sector

Largest employers

(from largest to smallest, by number of employees)

- Sanford Bemidji Medical Center and Clinics
- Bemidji Public Schools
- Bemidji State University
- Beltrami County

assembly)

- Anderson Fabrics (window
- treatments)Knife River Materials (road construction materials)
- SOURCE: GREATER BEMID.
- Norbord Minnesota (strand board)

Nortech Systems Inc. (electronics

Paul Bunyan Communications (voice and data service provider)

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Think of Bemidji and you likely recall what it was like when you were last there several years ago—

a quiet community 230 miles northwest of the Twin Cities that seemed okay with thinking that its best years were behind it, and content to be a haven for retirees and tourists enjoying innumerable fishing lakes and the Chippewa National Forest.

But while you weren't looking, this town of 14,500 people—and surrounding population of another 65,000 have become one of the most dynamic regions in Minnesota—if not, in fact, the most dynamic. It may be the best-kept secret in the state.

Consider the evidence:

Its one-gigabit high-speed internet access—better than what's available in the Twin Cities—is available to just about anyone in the region, thanks largely to a foresighted cooperative that put in fiber optic cable more than a decade ago. This in turn is attracting businesses, including data centers.

• Its energetic entrepreneurial scene is reflected in the fact that four Bernidji companies made the 2015 Inc.

5000 list of America's fast-growing small companies more than any other city in Minnesota.

Bemidji Regional Airport, which has undergone \$70 million in updating over the past decade, is Minnesota's fourth-busiest airport based on the number of passengers "enplaned."

The Sanford Bemidji Medical Center has transformed a small-town hospital into a regional health care provider that offers state-of-the-art orthopedics, cardiology and (soon) cancer-care facilities. Since Sanford Health has taken over the hospital and local clinics, it has added 90 doctors and numerous support staff employees.
The region is home to six postsecondary educational institutions, including one of the Minnesota State college and university system's four-year schools.
The city has guided redevelopment of a former brownfield on the south shore of Lake Bemidji into a

lively area that includes a new park, a popular biking and walking trail, new hotels, and north central Minnesota's most popular event and convention center. (See "South Shore Rising," page 46.)

Along with a strong arts and theater scene, the



Bemidji

city has its own symphony orchestra.
Its thriving downtown includes
Tutto Bene, a chef-driven restaurant that features locally grown ingredients.
Tutto Bene also features locally brewed, award-winning craft beers from Bemidji Brewing, which opened its popular taproom last year.

All this is due largely to the work begun a little over a decade ago by a visionary group of leaders. As Bemidji Mayor Rita Albrecht notes, city residents asked themselves more than 10 years ago, "What kind of town do we want to be—a sleepy little college town or a regional center? Well, if we want to be a regional center, there are some things we need to do."

And Bemidji has done them. This is a hands-on community that created a new vision for itself—and has built it, through its own efforts.

A new center of town

Though Paul Bunyan and Babe the Blue Ox have long been the most visible symbols in the city, the one local business leaders hold up today is the Mayflower Building on the south edge of downtown.

Built in 1901, it's the only remaining building from several warehouses that handled freight near the Great Northern rail line. Most were torn down in the 1980s when Bemidji ceased to serve as a regional rail center. (The picturesque Great Northern depot now houses the Beltrami County Historical Society and its eminently tour-worthy museum.) The Mayflower survived, and after several years sitting vacant, it was purchased a few years ago by Greater Bemidji, the region's economic development entity. Greater Bemidji renovated the structure, transforming it into what many consider to be the city's new center of business.

Inside, it resembles a pocket version of Minneapolis's Butler Square or St. Paul's Lowertown renovated warehouses, with a warm interior of exposed brick and wood beams. One tenant is TEAM Industries Inc., which opened its Bemidji operations the same day the building was opened for business. TEAM, a 50-year-old, \$300 million company whose headquarters is in nearby Bagley, manufactures shafts, gears and other components primarily for small vehicle manufacturers including Arctic Cat, John Deere and Polaris. TEAM's Mayflower office provides a space where 20 TEAM engineers and designers can work side by side with customers on component projects.

To staff this new space, TEAM brought in new as well as established employees, attracting engineering talent from Greater Minnesota and North Dakota. "By moving to Bemidji, we knew recruitment would be a little bit easier for us," says Jim Russ, TEAM Industries' director of corporate development. "We have beautiful facilities—something that young engineering talent would recognize." In addition, TEAM is helping encourage local talent. "We are the very first manufacturer with a certified state of Minnesota apprenticeship program that allows 16- and 17-year-olds to work on our floor," Russ says.

Another Mayflower tenant is EXB Solutions Inc., which provides software and





A Healthy Move

sk local leaders about the region's selling points, and they'll all rank the Sanford Bemidji Medical Center (above) and clinics high on the list. Sanford Bemidji and its associated clinics and specialty centers have made the city a growing regional health care nexus.

With its headquarters in the Dakotas, Sanford Health is one of the largest health systems in the nation with 43 hospitals and nearly 250 clinics in nine states and three countries. In 2009, Sanford Health merged with Fargobased MeritCare Health Services, which operated clinics in Bemidji. Two years later, Sanford Health merged with North Country Health Services, which owned the hospital in Bemidji, creating Sanford Bemidji Medical Center and Clinics.

Since then, "we've invested about \$73 million in different types of investment, including physician and clinic development and expansion and other initiatives," says Bryan Nermoe, executive vice president for Sanford Health of Northern Minnesota. Among Sanford Bemidji's first projects was a new Heart and Vascular Center, which provides 24-hour cardiology services. Sanford Bemidji also undertook a two-story, 46,000-square-foot expansion that made room for the Orthopedics and Sports Medicine Center. In 2016, Sanford Bemidji announced plans for a new cancer care center.

"In the Bemidji market, people were traveling to different places for their health care," says Nermoe, citing cardiology as a prime example. What Sanford Health realized is that "there is enough population and enough demand for those services to be provided in Bemidji."

Bemidji's attractions have helped Sanford Bemidji lure physicians and other health professionals needed for an expanding facility. According to Nermoe, the Sanford Bemidji system provides practitioners with a diverse patient population as well as resources and equipment "that you might not find in a community our size." The region's other amenities and outdoor activities add to the appeal.

Looking to the next decade, Nermoe projects a possible additional capital investment of nearly \$100 million for new facilities and equipment. Over the next five years Sanford Health will be adding more than 50 new physicians in Bemidji to meet the growing demand and need for services and specialties close to home. "We've had some really good success in the past couple of years with physician recruitment," Nermoe says. It's a healthy sign for the region's future.

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SPECIAL REPORT

Bemidji

systems engineering services to a roster of clients that includes Lockheed Martin and Boston Scientific. The building is also home to a coworking space and to Bemidji State University's Marketing Assistance and Research Solutions (MARS) program, which provides university marketing students paid opportunities to help local area businesses with their marketing needs.

The Mayflower also serves as headquarters for Greater Bemidji. "Our mission is pretty simple: We drive development and promote prosperity in the Greater Bemidji region," says its executive director, Dave Hengel. "That includes supporting entrepreneurs and companies looking to expand in the region, recruiting companies, and growing, attracting and retaining our talent pool. Since economic development has become a race for talent, we are also the only economic development organization that I am aware of that runs its own training center."

In addition to the Mayflower renovation, Greater Bemidji can point to a number of recent accomplishments and initiatives. One that Hengel cites in particular is the LaunchPad, which is looking to create a "start-up ecosystem" in Bemidji. Included in that ecosystem is the LaunchPad's "entrepreneur meet-up" that takes place every Wednesday morning at the Mayflower. Here, local entrepreneurs can share ideas and war stories; others ask questions and offer insight and camaraderie. "They get the feeling that they are supported and what they're doing is valued," Hengel says. Weekly LaunchPad attendance typically numbers 40 to 50.

In addition, the LaunchPad provides co-working space for start-ups and freelancers, free small business counseling through the Small Business Development Center; and a program called "Office Hours", where several retired CEOs in the area provide mentoring and free business advice.

What has attracted these entrepreneurs to Bemidji? The outdoorsy good life and the kinds of support they receive is part of it. "Not only do they want to grow their businesses, but they also want to grow their community," Hengel says. In other words, the Bemidji region is a land of opportunity.

Fertile landscape for entrepreneurs

Bemidji's entrepreneurial companies are a remarkably diverse and distinctive group. Case in point is Red Zest Design, a seven-year-old, one-person company that designs presentations for CEOs, executive directors and "people who are preparing for TEDx talks and events," says company owner Samantha Nienow, 35. (Those clients have included Twin Cities-area serial tech entrepreneur Phil Soran.) Nienow, who grew up in Minnesota, worked as a graphic designer in California for five years before moving in 2006 to the Bemidji area with her husband, Nathaniel, who operates a business called Wood Wildflowers. Both wanted to be closer to family. And both can run their businesses here thanks to the region's high-speed broadband access.

"I'm able to live a life that's high-quality," Nienow says. "I'm able to do things outside of work that I love to do. I can train for triathlons, bike through woods, and run a creative design business." In addition, "there's opportunity here, and people here work together to create the kind of community we want to live in."

Another new business has become such a landmark in Bemidji that many people describe it as an amenity. Bemidji Brewing was founded in 2012 by two couples, the Kaneys (Tina and Bud) and the Hills (Megan and Tom). It started brewing out of the kitchen of the Harmony Natural Foods Coop in downtown Bemidji, then moved to a small storefront nearby, steadily building up production. The gradual growth "gave us a chance to determine market viability," Bud Kaney says.

Bemidji Brewing has proven to be



Samantha Nienow started her business in the Bemidji region after working in California.





(Top) Held each summer, the Lake Bemidji Dragon Boat Festival features races between these distinctive vessels, as well as a variety of children's and cultural activities. (Left) Another annual event is the Blue Ox Marathon, which includes a kids' run.

Entrepreneur profile: Jason Brodina, Owner and co-founder, Choice Therapy

N orth Dakota native Jason Brodina moved with his wife to her hometown in 2004 after working for four years in Iowa and Hibbing. Both were 28 at the time. In 2009, he and two business partners launched Choice Therapy, which provides physical, occupational, and speech therapy for six outpatient clinics, six long-term care facilities and four school systems in the area. The company, which now has 66 employees, also provides industrial rehabilitation services to area manufacturing firms.



Choice Therapy is one of the four Bemidji companies that made the 2015 Inc. 5000 list of America's fastest-growing companies, posting a three-year growth rate of 167 percent, with 2014 revenues of \$3.1 million. Why the growth? Very simply, there's opportunity here. "Bemidji is a hub of northern Minnesota for business activity," Brodina says. "We're drawing from a large area." Within a 50-mile radius of Bemidji, the population is nearly 100,000. Brodina cites another advantage: "We were the first private practice clinic in the area when we started."

While Brodina has found most of his hires in North Dakota and northern Minnesota, his last two therapist hires were from the Twin Cities area. "They love the outdoors," Brodina says. "We don't have all the amenities of the Minneapolis-St. Paul area. But we do have college sports, and a vibrant young cohort at the colleges and university." What's more, people "can still watch a loon on a lake. If they live 15 miles away, they can get to work in 15 minutes."





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Bemidji

quite viable. In April 2016, the company moved into its current brewery, a former implement service and dealer's shop on the edge of downtown that offers plenty of room for expansion. Its convivial taproom, which has quickly become a local gathering spot, opened three months later. Bemidji Brewing now has 35 accounts within a 50-mile radius. Expansion and packaging are both part of its near-term plans.

The beers it produces are delicious and adventurous; a couple have won medals at the Great American Beer Fest, a prestigious competition. (Head brewer Tom Hill plans to brew American-style "sour" beers using old wine barrels to develop their flavor.) Kaney also notes that "our business is no different than the many others that rely on excellence in fundamental practices pertaining to accounting, human resources, sales, marketing and community outreach. Tina and Megan both lead us in these essentials."

When the four founders were contemplating their business, there was no certainty they'd open it in Bemidji. The founding couples had lived in many places all over the country, including Austin, Texas, the Twin Cities and Montana, and were open to any possible location. Though Bud Kaney and Tom Hill are Bemidji State graduates, they thought other Minnesota cities, like Rochester, might offer more promising markets.

"But as we went deeper into our research and looked at what made sense for our goals and our lives, Bemidji just came to the top," Kaney says. It was a new market for craft beer, and its outdoor ethos was appealing to all four founders. But there was another factor: Despite its so-called "isolation," the Kaneys and the Hills discovered in Bemidji a city that's open to creativity and new ideas.

"The opportunity for ideas to collide here is great because you have just enough people to have diverse perspectives and ideas," Kaney says. "But it's a small enough environment so that you're going to meet those people." Bemidji, he adds, "is uniquely positioned as a growing community to help you realize your dreams." The region might be off the beaten path, "but it also gives us distinctiveness. We can be creative in a less competitive environment."

This city set amid woods and lakes has proven to be fertile

Entrepreneur profile: Mike Karvakko, President, Karvakko PA



t the beginning of 2012, the civil engineering firm that Mike Karvakko launched six years earlier had six employees. By year's end, it had 30. Three years later, Karvakko PA was one of the four Bemidjibased businesses on the Inc. 5000 list of America's fastest-growing companies. It was ranked 1,158, with \$3.4 million in revenue and a three-year growth rate of 365 percent.

Some of the company's growth was due to a Bemidji-based architecture firm Karvakko acquired in 2014 to expand its services. The firm now has 15 employees and a second office in Minot, N.D. "We provide a lot of services," Mike Karvakko says. That includes a variety of municipal and commercial projects, including residential developments and energy projects throughout the Upper Midwest. "One of our main staples is aviation work," he adds. His firm has managed about \$35 million in work for Bemidji Regional Airport and has worked on smaller airports in surrounding areas.

Karvakko, a native of Michigan's Upper Peninsula, married a Bemidji native and was more than happy to settle in his spouse's hometown. Bemidji is "an excellent community to raise a family," says Karvakko, who's a father of five. He's also found it a good place to find the talent his growing firm needs. A number of Bemidji High School and Bemidji State University graduates have worked for him over the past few years, and his hires love outdoor activities. "Everyone who works for us grew up with snow," Karvakko says.

Karvakko also has found a great deal of support from other local entrepreneurs. When it comes to succeeding in Bemidji, "You get out of it what you put into it," says Karvakko, who's active on several local boards. "You have to be part of the community to get out of it what it has to offer."

Entrepreneur profile: Erik Hokuf

Managing partner, AirCorps Aviation LLC



Recovered in a New Guinea jungle more than 15 years ago, the fuselage on the shop floor of AirCorps Aviation is little more than the skeleton of a plane. But to Erik Hokuf, it represents the kind of opportunity that he and his crew of craftspeople can't resist. With some hard work, research and some old-school machine shop skills, this 70-year-old fuselage will once again be a Republic P-47 Thunderbolt, one of the mainstays of the U.S. World War II fighter plane arsenal.

Restoring World War II military aircraft is more than a labor of love for Hokuf and AirCorps' 28 employees. It's a highly successful niche business. In 2015, AirCorps Aviation was one of four Bemidji companies to make the 2015 Inc. 5000 national ranking of small businesses, with nearly 800 percent growth over three years. Founded in 2008, AirCorps Aviation is still a small



company, with revenue of about \$3 million. But the demand for these craft remains strong.

"They're a major part of world history," Hokuf says. "There are still aircraft that can be restored relatively easily." World War II planes are also more elegant in design and less complicated to fly than, say, B-52s. "If you have a P-51, one person can pull it out of the hangar and fly it," says Hokuf, who has a pilot license himself. What's more, the design standards developed for World War II aircraft "are still standards being used today in aviation."

Hokuf was raised on a farm north of Bemidji, the son of an industrial arts teacher who also was a hobby farmer. "We grew up very hands-on," he recalls. He and his brothers were all fascinated by aviation, and Erik Hokuf took a job at Bemidji Aviation Services Inc., a charter airline, when he was 16. He later worked in the Twin Cities metro area, then moved to Granite

Falls, where he did rebuilding projects for engineering entrepreneur Ron Fagen's World War II plane collection. When Hokuf and his three partners were looking for a place to establish AirCorps Aviation, they chose Bemidji.

"We wanted to be off the beaten path a little bit," Hokuf says—away from the distractions of a larger urban area. And he can find the type of hands-on workers he needs—people who are fascinated by solving problems in metal.

Hokuf also has found other types of business help in Bemidji, thanks to the Northwest Small Business Development Center. "Grant Oppegaard, the retired CEO of Genmar Holdings, comes in and gives us business advice for free," Hokuf says. Oppegaard, who lives near Bemidji, offers this kind of free consulting as a way of giving back. This kind of guidance, and support "is harder to tap into in the metro," Hokuf says.

Hokuf and AirCorps Aviation are now planning for major new growth by fabricating custom-made parts of legacy aircraft built in the 1980s and earlier. These planes are still in use in general and corporate aviation, commercial carriers and even the U.S. military. And they should help keep AirCorps Aviation flying high.

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ground for entrepreneurship—indeed, for businesses of all kinds. That did not happen by chance.

Laying the groundwork

About 15 years ago, Hengel recalls, Bemidji "was not all that dissimilar from other rural communities I've seen over my 25-year career." It was "focused on what it couldn't be, and on the distractions, problems and challenges it was facing." With the timber



industry trimmed back to just a few small firms, and jobs provided mostly by education and government entities (Bemidji is the Beltrami County seat). The city simply wasn't moving forward.

It also was discouraged. To Hengel, one of the hurdles the city faced was overcoming "the myth it had about itself." That myth, he adds, was a narrative of a town that was "poor, small, remote, hard to get to, cold, disconnected." Though

> the area is picturesque, too many residents looked upon Bemidji as a place whose best days were behind it. It was still a popular tourist destination, but the timber and other legacy industries had been in decline. "The stories were all about what we couldn't be and the distress that we had,"

Bemidji Brewing's taproom is one of the city's top attractions.

Hengel says. "We intentionally had to change the story to that of a vibrant, energetic community in control of its future."

While many

held tight to the myth, many others were more eager to embrace the future. "We started comparing ourselves and expecting things of ourselves," Hengel says. "We stopped comparing ourselves to our rural neighbors. We compared ourselves to other regional centers in the Upper Midwest, like Duluth or St. Cloud or Grand Forks or Mankato." In other words, he adds, "we were looking to fight above our weight as a community."

A local leader everyone cites as jumpstarting the boom is Jim Bensen. In 2004, Bensen, who'd retired three years earlier as Bemidji State University president, helped



put together a group of local leaders that called itself "Bemidji Leads!" At that time, Bensen recalls, "many people were working on good things, but they weren't working together." He and his Bemidji Leads colleagues called a meeting of those who "wanted a say in what Bemidji would like in 10, 15, maybe 20 years out." The "packed house" that attended comprised a wide range of residents: businesspeople, bankers, senior citizens, young people. What Bemidji Leads was seeking was a deep, energized commitment to Bemidji's future. "And 24 leaders stepped up and said, 'Let's go for it,'" Bensen says.



Entrepreneur profile: Justin Frederick and Jerusa Ricke, co-owners, Tutto Bene Restaurant

fter working for several top Twin Cities restaurants, Justin Frederick and Jerusa Ricke were ready to start their own. "We always talked about opening up our own place, but Minneapolis is very competitive," says Ricke, who met Frederick, her husband and fellow chef, while working at Masa, the late lamented Nicollet Mall Mexican spot. "There are too many restaurants there," Frederick adds.

Ricke also wanted to get back to the Bemidji area, where she grew up. "I wanted to be closer to my family," she says. "And there really wasn't anything like this up here."

"This" is Tutto Bene, a chef-driven Italian/Latin restaurant in downtown Bemidji. Frederick and Ricke bought an existing restaurant and kept the name but remodeled the interior and created an entirely new menu—and an approach to dining that Bemidji had never before experienced. The couple and their kitchen staff make everything from scratch except for the canned tomatoes used in the marinara sauce. "We don't have microwaves, we don't have deep fryers," Frederick says.

Frederick and Ricke, both culinary-trained, change the menu three or four times a year. During certain times of the year, that menu features the heirloom tomatoes, squash and kale that they grow themselves. And despite Bemidji's relative remoteness, the two chefs get high-quality provisions, such as imported prosciutto and salumi, from the top suppliers they used in the Twin Cities.

The response from the community, Ricke says, "has been great. In the beginning, it's hard for people to accept change. A lot of people were used to the previous place," which had a less adventurous menu. "We have some really awesome regulars." Business is particularly strong during the summer tourist season, and from weekend dinner business from attendees of the theater down the street. Tutto Bene also holds specialty dinners—one of them features courses paired with craft beers from Bemidji Brewing.





The Bemidji region provides a blend of urban and outdoor amenities. (Top) The historic Chief Theater in downtown Bemidji, formerly a movie house, is now the center of the region's theatrical performances. This meeting was followed by eight months of community meetings and listening sessions. The goal of these gatherings, Bensen says, was to determine the region's assets, values and economic drivers—the attributes that made Bemidji distinctive. As Bensen recalls

it, the attributes that participants cited were that Bemidji was "a knowledge-based community." It had a "pretty good health care center, but it needed to take the next step and get into advanced medicine." It needed to upgrade its airport so that "it's a first-rate operation." It needed an event center. But to make these things happen, the community needed "alignment" to "take itself to the next level."

On July 4, 2004, Bemidjians came together to sign what Bensen describes as "a declaration of interdependence." It was a pledge to work together and make Bemidji "the best place in the world to live and work and raise a family."

Residents were prepared to back up that pledge. "One of the key things that really turned the corner for this city was that we passed a



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Bemidji

referendum for a half-cent sales tax in 2003 to upgrade our parks," says Albrecht, who served the city as an assistant planner, community development director and City Council member before being elected to her first term as mayor in 2012.

The city did not receive legislative approval to collect the sales tax for parks until 2006, which is when the city began raising and spending nearly \$10 million on city parks. Another source of funding was Blue Cross Blue Shield Center for Prevention. Bemidji applied for and received five years of funding for "active living" projects. The city was able to install and upgrade amenities and trails and hire a recreation director.

The park sales tax was extended in 2007 to pay for a new event center. The city would like to implement a food and beverage tax to support tourism, conventions, and visitor activities. "Most of the money spent in Bemidji comes from people living outside the city. "About 80



The Sanford Center is the crown jewel of the south shore redevelopment. The 193,000-square-foot event and convention center is the home of the Bemidji State University hockey team; it's also a top entertainment venue in Northern Minnesota.

South Shore Rising

he land on the south shore of Lake Bemidji was an industrial site for more than 100 years. Over the years, several timber-oriented businesses were located there. About 15 years ago, a local developer had consolidated many parcels into a large tract of about 150 acres.

Then in 2007, the city of Bemidji acquired the property. The City Council went to the voters to extend the sales tax to build an event center. With the help of state bonding funds and a contamination and cleanup grant, the city cleaned up industrial contamination and subdivided the property into development lots to sell. A key reason for purchasing the property was to preserve a public corridor along the lake; the city partnered with the Minnesota Department of Natural Resources to complete the Paul Bunyan State Trail through the city.

The former brownfield now includes three new hotels. But the jewel of the redevelopment is the Sanford Center, the 5,500-seat event center that opened in 2010. The \$50 millionplus center also includes the George W. Neilson Convention Center. It has become a popular venue for local sports contests as well as for cultural events and conventions. More hotels, along with condos and apartment buildings, are now being planned for this once-unused land by the lake.

"The City Council showed a lot of leadership" in acquiring and redeveloping the site, Bemidji Mayor Rita Albrecht says. "But the city got behind it and said, 'We want this.'"



Bemidji State University and Northwest Technical College



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business, child care, health care and manufacturing technology.

percent of sales tax receipts come from outside the city limits—people who shop and work in the city," Albrecht says. The discussion about additional "tourism investment revenue" is still occurring with city partners and businesses.

While residents of the Bemidji region banded together to build its future, another foresighted local entity had already laid the groundwork to drive Bemidji's boom. This was Paul Bunyan Communications, a locally run telecom cooperative that provides broadband that's as fast as any offered in Minnesota.

"Our gigabit service—what we call the GigaZone-isn't something we could have done had we not back in 2004 started putting in fiber optic cable all the way to the premise," says Gary Johnson, Paul Bunyan's CEO and general manager. "To make that early technology decision and investment as a member-driven coop was a big deal." In fact, Johnson says that gigabit broadband service wasn't Paul Bunyan's original intention: "It's just because we thought that fiber was the most advanced, future-proof technology available." The GigaZone extends as far east as Grand Rapids and as far north as the Red Lake reservation, likely making Red Lake

the first Native American reservation in the nation with a fully fiber optic network providing symmetrical gigabit broadband.

The GigaZone was launched in January 2015. Paul Bunyan now has thousands of customers using the gigabit service, "or some variation of it," Johnson says. Some customers, including medical centers, the university and large businesses that need to connect multiple locations, may be served with speeds greater than one gigabit per second, as Paul Bunyan's fiber network enables speeds of 10 gigabits per second and beyond. All of Paul Bunyan's lines throughout its region are buried underground enabling very resilient service, and unlike some competitive telecoms, it doesn't "resell" services using CenturyLink's older infrastructure, the local incumbent telecom.

In addition to voice and data services, economic development is another part of Paul Bunyan's mission. "If a new business comes to town, we're eager to be part of that conversation," Johnson says. His cooperative's powerful broadband service helps make for a powerful sales pitch.

So does the Bemidji Regional Airport. Starting in 2008, the airport renovated and lengthened its



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out-of-date runways. This allowed the facility to handle 50-seat regional jets, above and beyond the smaller turbo-prop planes that had used the facility up to that point. Four years later, the airport undertook a major updating of the terminal, which roughly doubled its size. Jet bridges were added, allowing passengers to walk directly into the concourse from their planes. A geothermal HVAC system was installed for greater energy efficiency.

Perhaps most crucially, the airlines serving the airport could introduce jet service as well as jet bridges. The Bemidji Regional Airport has two departure and two arrival flights each day to and from the Twin Cities provided by Delta Air Lines, as well as occasional charter service to Laughlin, Nev., provided by Sun Country Airlines. "If someone is traveling in the morning, they can generally get to the Twin Cities and have a full day to do business," says Karen Weller, the airport's executive director.

Community legacies

Bemidji began as a timber town and railroad center, and remained one for some time, even after most of the trees had been logged off. These days, the city has no dominant

commercial employer. "From a banker's standpoint, that means a lot of diversity, which puts a little less risk on the loan portfolio," says Tom Welle, CEO of First National Bank Bemidji.

There are still some lumber-related businesses in the area. Washington-based Potlatch Corp. has a plant in Bemidji that makes precision-cut studs for the construction industry. Toronto-based wood products company Norbord Inc. operates a pressboard plant west of Bemidji in the town of Solway.

The Bemidji Region's Outdoor Amenities





State Parks and Forests

- Lake Bemidji State Park
- Itasca State Park
- Mississippi Headwaters State
 Forest
- Chippewa State Forest

WIthin the city limits of Bemidji are
 22 parks comprising approximately
 225 acres.

Trails

The Paul Bunyan State Trail extends 115 miles from Lake Bemidji State Park south to Crow Wing State Park near Brainerd. It's the longest continuously paved rail-trail in the country. Even with all of Bemidji's indoor amenities, outdoor activities—fishing, biking, hiking, snowmobiling and more—are still the main draws to the region.

Within the city limits, the East-West Trail connects downtown Bemidji with the Paul Bunyan Trail to the west. It was constructed in 2008 on a former brownfield on the south shore of Lake Bemidji.

Lakes

In addition to Lake Bemidji, there are about 400 fishing lakes within 25 miles of the city.

In addition:

More than 500 snowmobile trails and 160 kilometers of cross-country ski trails in and around the city.



<image><image>

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Though lumber no longer plays a predominant role in the Bemidji region, the city still has legacy businesses that have thrived for decades. One of the most notable is Bemidji Woolen Mills, founded in 1920 by the Batchelder family, which still owns the business. In its downtown store, it sells hardy outdoor clothing and accessories as well as its own brand of classic garments and blankets.

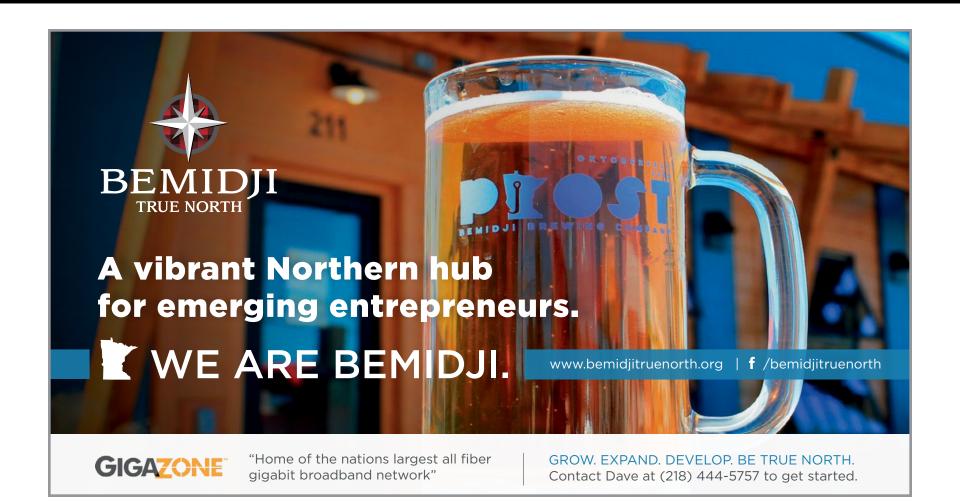
Another long-time family-owned business still going strong in its hometown is Security Bank USA. The Baer family and its bank's employees are active in numerous local philanthropic and volunteer endeavors. The same is true of the Johanneson family, which owns the six-store Marketplace Foods supermarket chain. Another Bemidji-based grocer, Lueken's Village Foods, is now 100 percent employee-owned, thanks to an employee stock ownership plan (ESOP) that owner Joe Lueken set up in 2013 before he died. (The Lueken family also established a foundation that has given millions to educational initiatives and other Bemidji-area programs.)

Lueken set up his ESOP though First

National Bank Bemidji, the city's largest financial institution. Founded in 1897, First National has three locations, all in Bemidji. "The bank has grown organically from the Bemidji community," says Welle, whose family has owned First National since 1942. Like Security Bank USA, First National is a community bank, "meaning we focus on what we think are the needs in our community," Welle says. That means a lot of retail lending (cars, boats, mortgages) and a commercial base that comprises mostly smaller businesses. And with no dominant industry, those businesses are diverse in the products and services they offer.

In 1985, First National set up its own ESOP when one of the owning family members retired. Employees now own about 27 percent of the company. (The company now employs 110). An ESOP, Welle says, "means that you can retain management that's local, making local decisions, still living in this community. We think it's worked well for us. I think it's aided us in our performance over the years."

First National Bank and Lueken's Village Foods aren't the





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Bemidji

only ESOPs in town. Welle has helped set up several others, including aircharter firm Bemidji Aviation. Local businesses, he notes, tend "not to want to go corporate." Joe Lueken, for instance, "wanted to see the business continue with ownership and management being local."

Speaking of legacies: The region also is home to three Ojibwe tribes. (The city is named for a local chief, whose name in the Anishinaabe Ojibwe language is Shaynowishkung.) Most band members reside on one of the three reservations near the city (Leech Lake, Red Lake and White Earth). But many live and work in Bemidji; about a fifth of the students in the city's public school system are Ojibwe.

In establishing its long-term community goals, Bemidji Leads set an ambitious goal of improving race relations. A survey completed by the Wilder Foundation revealed that native and non-native residents wanted to learn more about each other and about each other's culture. Within the past few years, city leaders shared their culture with tribal members at a lutefisk dinner, and more than 3,500 area residents attended the first of two community powwows held at the Sanford Center.

In addition, a new 9-foot statue of Shaynowishkung was erected as a focal point in the city park between downtown and Lake Bemidji; next to him are informative plaques about local Ojibwe history and heritage. The city's Ojibwe Language Project has helped more than 150 businesses and public buildings add Ojibwe language signage in their facilities. And Bemidji State professor Anton Treuer (who is Ojibwe himself) wrote Everything You Wanted to Know About Indians But Were Afraid to Ask, which answers common questions about Indians and debunks long-held stereotypes for non-native people of Bemidji (and elsewhere).

A member of the Red Lake band, Andy Wells Sr., runs a remarkable Bemidji business. He started his manufacturing company, Wells Technology Inc., out of his garage in 1989. "Our goal right from the beginning was to create jobs and serve our community," Wells says. He was particu-

Bemidji by the Numbers

opulation	
-	
City	
2000	11,917
2010	13,431
	• •
2015	14,594

Region (15-mile radius) 2000 | 33,346 2010 | 37,737 2016 | 39,396

Region (30-mile radius) 2000 | 55,015 2010 | 60,502 2016 | 62,885

Per capita income (15-mile radius) | \$24,485 Median household income (15-mile radius) | \$48,500 Median age | 34.4

larly concerned by the high levels of unemployment on the Bemidji-area reservations. "At the same time, I had to create value for the customers," he says. "And that's what it comes down to—creating value for both the community and customers."

Wells' first products were airpowered scissors designed to reduce carpal tunnel syndrome for poultry industry workers. Within a few years, he was producing hardware and other components for other industries. Currently, about 55 percent of its business serves the aerospace defense industry, for which it manufactures high-performance, precision-tooled components, including small metal parts with tolerances measured in millionths of an inch. Wells now manufactures about 18,000 unique fastener products, along with its own line of tools as well as solar-tracking systems for homes and businesses. His company now has 50 employees.

By 2005, with his business growing, Wells discovered that very few applicants had the kind of industrial skills he needed. He also found that a lot of those who showed up to apply had "background experiences that were not necessarily positive." Some had dropped out of



The statue of Ojibwe leader Shaynowishkung (Chief Bemidji) stands prominently in a park between Lake Bemidji and the city's downtown. Its presence bespeaks the higher profile of Ojibwe people, language and culture in the life of the city. Not far away are those longtime city symbols, Paul Bunyan and Babe the Blue Ox.



high school, others had no machine shop training. A few had served time in prison or had DWIs on their records. "I began to realize that these are the very people I need to help," Wells says.

In response, he started an on-thejob apprentice program called Wells Academy, designed to train some of those people who "want to work, want to have a job, but have issues in their past that keep them from getting to the top of the list when there's a job opening." So he has hired and trained many of these people along with the "top-of-the-line" accounting people and engineers on his staff.

Wells Academy trains these hires while providing the kind of "industrial cultural" support they need, he says. "Some things most of us take for granted are new to these folks, like the need to show up on time in the morning, the importance of staying all day and working the full shift." In some cases, the challenge is "encouraging them to add new friends" who provide a more positive influence. "So we help them make new, more productive connections and constructive decisions."

Not everyone succeeds, and Wells has continually made changes to

the program. Still, the academy has "graduated" numerous employees who've each received 2,000 hours of hands-on training. Many are still at Wells, others are working elsewhere. "Helping others find their pathways to success is my way of giving back and saying thank you to all those who have helped me along my journey in life," Wells says.

The next generation

Like most Bemidji businesses, Wells is concerned about finding skilled employees. In that regard, Bemidji is no different from most Greater Minnesota communities.

"Overall, I think businesses here are doing quite well," says Lori Paris, president of the Bemidji Area Chamber of Commerce. She notes "the strong, eclectic group of entrepreneurs that are really working together—and they're very driven to do that. They get that what's good for one business is good for them. I think that has helped make our region grow." At the same time, "helping fill the pipeline of talent has been one of our biggest concerns," Paris adds.

The Bemidji Area Chamber is partnering with Greater Bemidji and the Bemidji

leading

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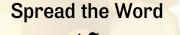
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special report Bemidji

School District to develop the next generation of employees and business leaders. This year, Bemidji High School is launching its Career Academies, designed to connect students with instruction, information and experience they need to make better educational and career choices. Career fields include health care, building trades, mechatronics and engineering.

The Bemidji Area Chamber also offers the "Executive in the Classroom" program: 21 local business leaders have volunteered to talk to students about real-life experiences and career opportunities to consider as they go through school. What's more, chamber members organize business tours and job shadowing for area students.

The Career Academies represent just one program designed to get students thinking seriously about their life's work. In 2009, Bemidji Leads launched Students First!, a program that helps middle and high school students prepare for the work world by guiding them to establish career goals and by providing adult "coaches" as mentors. Several foundations support the program, which is directed by the Beltrami Area Service Collaborative, a Bemidji-based nonprofit.

Postsecondary education and training are also crucial, of course. In 2013, Greater Bemidji established the Minnesota Innovation Institute, which provides training in computernumerical controlled (CNC) machining and mechatronics. The Bemidji Area Chamber, along with Greater Bemidji, Bemidji State University (BSU) and Northwest Technical College (NTC), has created the Bemidji Works website. The site, which went live early this winter, includes resources for jobseekers, information on training programs and contact information for regional employers and potential hires.

Both BSU and NTC are critical to the economic vitality of Bemidji, says Faith Hensrud, president of both institutions since July. "Not only do our community members employ our students, but they also are very supportive of our institution." Imagine



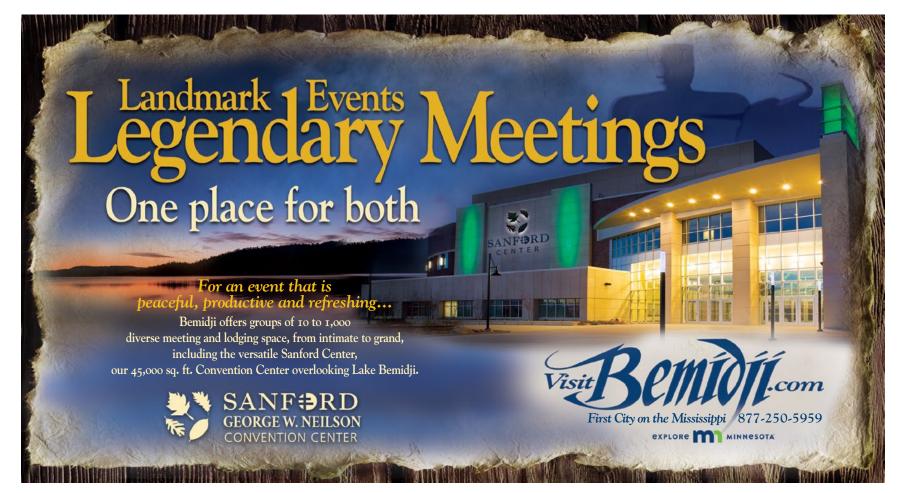
Brigid's Cross Irish Pub is one of the popular dining spots in Bemidji's thriving downtown.

Tomorrow, a fundraising campaign that concluded in June, raised \$36.5 million for scholarships and academic program support, more than doubling scholarship funds distributed by the BSU Foundation..

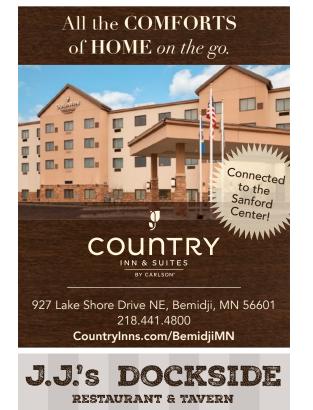
This year, Hensrud is kicking off a strategic planning process that will include a series of listening sessions with various industry sectors in the region to glean their insights "not only from an economic development perspective but also from a cultural perspective," Hensrud says. Her goals include continuing to build partnerships with businesses and community organizations throughout the region. Hensrud also sees BSU's focus on environmental sustainability as another way to attract students and to help the community and businesses make environmentally wise operational decisions.

Hensrud notes that BSU's School of Technology, Art and Design has graduated students whose skills are in demand both locally and nationally. She's also proud of the school's music program, as well as a music series that brings in outside performers, such as the St. Paul Chamber Orchestra. The series is popular with the community as well as with students.

Looking ahead, Hensrud says that she would like to attract more American Indian students to her schools. BSU, NTC and the three tribal colleges in the area are embarking on partnerships that include shared courses and programs. These partnerships could provide Indian students the opportunity to complete

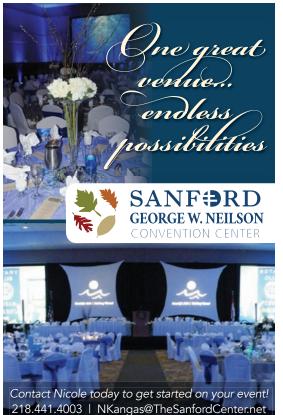


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their four-year and technical-education degrees and add their needed skills to the local workforce.

A hands-on past-and future

Workforce development is just one of the challenges on the minds of local leaders, who are open about the issues that Bemidji, for all of its recent success, continues to face.

Housing is one. Mayor Albrecht observes that while developers are adding new multifamily homes for the middle of the market, "our challenge seems to be the ends of the spectrum—lower-income and higherincome housing."

Entrepreneur Erik Hokuf, coowner of plane renovation company AirCorps Aviation LLC, would like to see more space at the Bemidji Regional Airport for general aviation. It's great to have commercial flights, he says. But owners of growing businesses need more flexibility for traveling by private plane—to visit customers and their company's other facilities, for instance.

Bemidji Brewing co-owner Bud Kaney says that those challenges are, in a sense, part of Bemidji's appeal, and one of the key reasons he and his colleagues opened their business here. "If you identify yourself as a leader, you go to where there are issues, not to where everything's been solved," he says. Being in Bemidji, the Kaneys and the Hills can help address challenges and build the community.

The city is by no means resting on its laurels. Recently, it has launched to Bemidji Leads 2.0 to develop and pursue new goals, building on these past successes. Yet even with all the development and the growth of both new and established businesses, local residents don't want to lose "what is authentically Bemidji," Greater Bemidji's Hengel says. "They didn't want to be a community that lost its identity." That identity is a "lumberjack spirit," he adds, channeling his small city's biggest legendary figure. "We've never lost that sense of being hard-working, hands-on. 'Sturdy' would be a word I'd use."

In other words, "we want to balance regional center amenities with a small-community character," Hengel adds. While Bemidji continues to boom and grow, its residents want to create "a location of choice for people with talent and businesses without losing what makes this place special." tcbmag

Gene Rebeck is TCB's Northern Correspondent.



FRONT LINES By **Ravi Norman**



To improve equality, business and civic leaders need to develop a regional platform, a Minnesota Exchange, that connects all of the opportunities in the market to a network of people and businesses, a virtual platform that comprises the best attributes of Uber, Facebook and LinkedIn.

It's Time for a New DEEL

resident Franklin Delano Roosevelt addressed the profound economic challenges facing America in

1932 with his New Deal, a package of programs that helped the country recover from the Great Depression and helped usher in a period of stability and economic growth that lasted for generations.

Today, we again find ourselves challenged, with the convergence of an aging population, interdependent global markets and climate changes that require another set of transformational solutions: a revised "New DEEL."

This DEEL, which stands for diversity, equality, equity and lasting impact, will require innovative policies, programs, products and perspectives to unlock the potential of an emerging population and create another lasting impact for generations to come.

Diversity

In 2003, I wrote the strategic plan for what was then the Midwest Minority Supplier Development Council (now the NCMSDC), a certifying body that connects multinational corporations with local minority business enterprises (MBEs). The context of diversity at that time was centered on increasing spending with MBEs and—based on data showing MBEs hire more people of color than white-owned firms—increasing living-wage jobs for people of color. Some 13 years later, we are still trying to achieve sustained success in these traditional diversity programs, while also broadening the definition of diversity to include additional protected classes (e.g., LGBT and veterans).

In this context, I've come to understand diversity to mean "embracing differences through the integration of new means and methods." Unfortunately, this well-intended concept typically doesn't work because it goes against the predisposition of most people.

Most of us seek out people we feel are like us, because it induces trust and comfort, which are the building blocks of relationships. People easily default to race, gender, sexual orientation and religion in their relationships because of this tendency toward homogeneity. As a result, the concept of "embracing differences" can often induce fear, anxiety and marginalization. Diversity, therefore, only works when it is set within a context of commonality.

This is why the first step in the New DEEL is to make diversity initiatives work by identifying common foundational values and taking the time to have honest dialogue about the preference and priority of those values.

Equality

The next step is to improve equality, which in this context pertains to universal access to places, relationships and economic opportunities. As a planner, developer, designer and builder at THOR, my primary focus is to create safe and secure places that provide services, and that people think are cool and can have fun using. Enhancing universal access to these places is critical to achieving equality.

More important, though, is improving universal access to relationships. While I am not old, I am "old-school," and like relationships that are in-person, genuine and based on mutual respect. However, as a father of a 19-, 13- and 6-yearold, I am also very aware of the millennial and younger individuals whose expectations are to have universal access to relationships through less in-person, more electronic/social media that is faster, more flexible and scalable (most often through digital devices). We must leverage these new tools to continue to provide even more universal access to "newschool" relationships.

And perhaps most important, we must improve the universal access to economic opportunity in the form of jobs and business opportunities. Far too often, access to economic opportunity is limited to "who you know," or even more "who knows you." These safe and familiar networks have to be broadened and open to new and innovative entrants.

To effectively improve equality in this New DEEL, business and civic leaders need to develop a regional platform, a Minnesota Exchange, that connects all of the opportunities in the market to a network of people and businesses, a virtual platform that comprises the best attributes of Uber, Facebook and LinkedIn.

Equity

At a recent YMCA keynote speech, I was asked "What is the difference between equality and equity?" My response: While equality creates universal access to opportunity, equity ensures meritocratic use.

In my debut column last month ("A New Narrative") I discussed a need for improved assessments that accurately reflect the value of people as assets by integrating the individual's starting point and the challenges he or she has overcome. These improved assessments can help identify the best candidates for investment and ideally lead to actual investments, hiring and promotion, and mentorship to ensure equity.

This third step is to ensure improved equity by developing a transparent rating system of all participants in the Minnesota Exchange. This rating system should be easy to comprehend, visually stimulating and inclusive of all stakeholder perspectives.

Lasting Impact

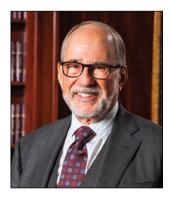
My grandmother used to tell me that I need to have "pep in my step" to activate my energy and the people around me. For lasting impact, we need to measure the PEP in our collective step. This acronym denotes the three key areas of measurable impact: people, entities and planet.

For people, we must define and measure hope, effort and wealth. For entities it is revenue, margin and retained earnings. For our planet it is safety, abundance and sustainability.

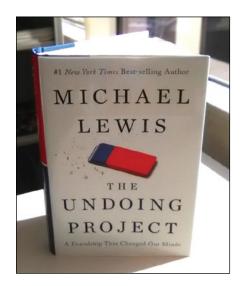
The final step in our New DEEL is to have individuals, households, neighborhoods and communities develop their own lasting impact dashboard that captures the PEP in their steps, and for them to be willing to share that information with the regional community.

It definitely is time for a New DEEL—I look forward to putting in the work with all of you. Take care of yourself and each other. tcbmag

Ravi Norman (RNorman@ThorCon.net) is the CEO of THOR Companies, a holding company for THOR's development, design, construction and consulting businesses. He holds degrees in economics, business management and finance from the University of Minnesota.



OPEN LETTER By Vance K. Opperman





In study after study, when it comes to making decisions, humans are predisposed to irrationality. David Leonhardt, writing in the *New York Times*, referred to that research as some of the most influential social science of the past century.

The Great Undoing

To Michael Lewis W.W. Norton & Co. New York, N.Y.

Dear Mr. Lewis:

It is impossible to discuss baseball without mentioning Billy Beane (a former Twin) as described in your book *Moneyball* (a less memorable movie). Many of us consider *The Big Short* to be the single best description of the collateralized debt obligation bubble that contributed to the financial crisis of 2007-2008 (a more memorable movie). But it is an act of cosmic coincidence that the undoing of our political order and the publication of your book, *The Undoing Project*, occurred practically in tandem.

The book starts out on rather familiar terrain, in this case, the application of new statistical analysis to the acquisition of NBA players by the Houston Rockets. *The Undoing Project* is the story of Amos Tversky and Daniel Kahneman, two Israeli armed forces psychologists who pointed out that even in as competitive a market as professional basketball, with easily quantifiable results, systematic errors continued to be made because player evaluators were not aware of their own mental processes.

The key finding of their work is that humans are, in deeply structural ways, irrational in aspects of decision making, and consequently the favored economic model of the "rational man" fails. Furthermore, in study after study, when it comes to making decisions, humans are predisposed to irrationality. David Leonhardt, op-ed columnist for the *New York Times*, referred to that research as some of the most influential social science of the past century.

The so-called "gambler's fallacy" is well known—that if you flip a coin that comes up heads three times in a row, many people believe that there is a greater chance the next flip of the coin will also be heads when in fact, the probability remains 50/50. The same error of judgment in a somewhat more complex situation affects experts in a variety of disciplines. Kahneman and Tversky went on to show doctors misdiagnosing breast cancer because the pool of samples (young women) was too small to be predictive—a basic Bayesian error. This power of a small amount of evidence convinces experts in many fields of the soundness of their judgment, which reinforces preconceived views (confirmation bias).

Further research with clinical psychologists and psychiatrists found that those with the least training (grad students) were just as accurate in predicting whether a psychiatric patient was at risk of committing suicide as more experienced observers. As Dr. Louis Goldberg stated in an interview, "Accuracy on this task was not associated with the amount of professional experience of the judge."

Kahneman and Tversky are quoted as saying "no one ever made a decision because of a number . . . They need a story." Remember here, we are talking about some of the most sophisticated experts in statistics, economics and psychology. Or for that matter, general managers of basketball and baseball teams. And maybe political professionals.

In late May, I was at a small dinner with a very highly placed member of the Clinton campaign. In response to a question about Secretary Clinton's chances of winning, the expert responded that if Clinton won Florida, Trump had no chance of winning the Electoral College. And, we were assured, the Clinton campaign would win in the state of Florida. This assurance was repeated in late July by the same person in a telephone conference, again in mid-October and was again confirmed by many of the polling experts a day before the election. So too was the expert analysis of Secretary Clinton's electoral victory-to-be in the states of Pennsylvania, Michigan and Wisconsin. The top national polling experts, including Nate Silver, all predicted the same right up to the day of the election.

All of these experts were dramatically wrong—just like the experts discussed by Michael Lewis in *The Undoing Project*: the Israeli flight instructors, the medical diagnosticians, the NBA general managers, and various groups of psychology and mathematics students. The insight of this book is that experts are often wrong because of the innate workings of their own minds and their lack of self-awareness of those idiosyncrasies.

Secretary Clinton won the popular vote by approximately 3 million votes, but lost the Electoral College. The media is full of reports of field politicos being told by Clinton HQ that the model did not allow last-minute resources to be put into states like Michigan and Wisconsin. Were the experts using the wrong model? Did the experts rely on too small a sample in predicting that future electoral results would look exactly like immediate past electoral results (Bayesian error)? Did early polling data reinforce stereotypes held by Clinton HQ experts (confirmation bias)? Did the Clinton campaign believe that the infrastructure it had constructed was superior to the electoral infrastructure constructed by others in the states of Michigan and Wisconsin (endowment effect)? These are all questions that will come to any politico who reads this book.

What are the answers? Clearly we need a new science of practical behavioral politics, similar to the existing science of behavioral economics.

We should all read Michael Lewis' book, not least those of us who occasionally claim to be experts. In an urgent plea to Lewis, with a faint echo of Theodore H. White, the next book should be *The Undoing of the Presidency 2016*. tcbmag

Sincerely yours,

Vance K. Opperman Occasional Expert

Vance K. Opperman (vopperman@keyinvestment.com) is owner and CEO of MSP Communications, which publishes Twin Cities Business.

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