

Spotlight

Marquette's Markets

What's Marquette doing after selling nearly all its banks? It's still lending money—but in some different ways.

▲ This past February, Marquette Financial Companies in Minneapolis took a stake in The Mercanti Group, an investment bank with offices in Minneapolis and Los Angeles. Marquette's investment gave Mercanti extra capital for its mergers-and-acquisitions banking. For Marquette—whose majority ownership has long been in the hands of Minnesota Twins owner Carl Pohlad and his family—the deal meant a new market for its ever-expanding financial services business.

A fixture in the local banking market since the 1940s, Marquette sold its retail banking business—with 108 offices and approximately \$6 billion in assets—to San Francisco-based



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Jann Ozzello Wilcox and Bert Colianni are focusing Marquette on "relationship-oriented" financial services.

Still a Lender

Marquette Financial Companies—which has \$2 billion in assets, more than \$393 million in equity capital, and 925 employees—comprises these units:

- **NorthMarq Capital***† Debt and equity financing for commercial properties.
- **Marquette Funding*** Backs accounts receivable and factoring for trucking companies.
- **Marquette Asset Management*** Private-asset management.
- **Marquette Capital Partners*** Junior capital investments in mature midsize companies.
- **Builders Mortgage Company***† Construction and land development financing to contractors who build single- and multiple-family homes.
- **Marquette Business Credit** Asset-based working capital and term loans for midsize companies.
- **Marquette Commercial Finance** Accounts-receivable financing for midsize companies.
- **MFC Capital Funding** Loans to small to midsize companies in the Chicago area.
- **Marquette Consumer Finance**† Non-prime motor vehicle loans, either directly or through franchised car dealerships.
- **Contractors Financial Services** Short-term construction loans to build or refurbish single-family homes in California and Arizona.
- **Meridian Construction Capital** Construction financing for locally owned builders in the eastern U.S.
- **Meridian Bank**† Retail and commercial bank in Phoenix.

*Based in Minnesota

†Owned by Marquette before 2002 bank divestiture

Wells Fargo in 2002. "We weren't sure we were ideally positioned as we went forward," says Jann Ozzello Wilcox, Marquette's senior vice president and chief financial officer. "We saw retail banking as becoming commodity driven"—that is, driven largely by price. By contrast, she says, "we've always been more successful in relationship-driven services."

Perhaps as a result, Marquette found it hard to compete with the big banks that were gobbling up other institutions. "We were in a lot of markets where the growth was flat or even negative," says Bert Colianni, Marquette's executive vice president and chief operating officer. "It was increasingly difficult to run the company efficiently and get the kind of growth numbers we wanted."

The new Marquette reorganized around the relationship-based, business-to-business services that were its strong suit. Its strategy: Build and acquire a set of smaller companies, located around the country and variously specializing in commercial and residential real estate, commercial finance, and financial services (see sidebar).

So far, the strategy is paying off. "Our return on equity today at the operating business level is about 25 percent higher than it was prior to the sale," Colianni says. Between 2002 and 2005, he says, Marquette's operating income grew by a factor of two and a half. If Marquette's 2006 budget projections are correct, operating income will be four times greater than in 2002.

"We're good at situations where we can manage the relationship between our company and a client who is generally a small to midsize, privately owned business," Colianni says. Marquette's loan officers have generally long tenures, and get to know the borrower and his or her specific needs. Marquette has also picked business areas in which there are many small competitors. And it prefers to let the top executives at each of its businesses run their own show, letting them act entrepreneurially while giving them the funding to succeed.

At the same time, there's something more basic behind the "new" Marquette's success. "We're good lenders," Colianni says. "Generally, we get paid back." **TCB**

—Ingrid Case