IN MINNESOTA

Corporate Curmudgeon

Dale Dauten

Vacation in Vegas put work in focus

The back of Jim McIngvale's business card — he's the owner of the biggest single retail store in the country, Gallery Furniture in Houston — reads, "If you have suggestions or comments about the store, please call me on my cell phone," followed by this: "My cell phone is on 9 AM - Midnight, 7 days a week."

McIngvale actually has cut back on his work hours — he used to sleep in the store. He doesn't have an office, and from what I could see when I visited the store last month, he doesn't even have a chair. He stands at the front counter all day, where he greets customers, talks incessantly over the P.A. system and watches customers come and go.

If you don't leave smiling, McIngvale stops you to find out why.

In exchange for his efforts, McIngvale has become a celebrity in Houston, famous as "Mattress Mack." He's also become rich, owns a tennis club and has traveled the world. So here's another example of hard work yielding success, right?

But hold on. There's a story before the story. McIngvale's first business, a chain of health clubs, failed. He had the same work ethic and the same customer orientation, but he hard-worked himself right into bankruptcy, ending up moving back into his parents' home. He might still be moping in his old bedroom, depressed, if his frustrated father hadn't thrown him out of the house.

So what made the difference the second time? Vegas. After opening Gallery Furniture, he took a rare vacation, to Las Vegas, and came back determined to bring that neon energy to his store — to make a trip to Gallery a holiday.

At Gallery Furniture, not only is there endless merchandise, there's live music on weekends, free food all the time, an indoor tennis court, a supervised playground where you can check in the kids, a full-service bank, tributes to Elvis and Princess Di, and *same-day delivery* of anything you buy.

As I was touring the facilities, I noticed a sign in the warehouse proclaiming, "What you tolerate, you encourage." One of the things McIngvale doesn't tolerate is unhappy customers. When he found that customers felt pressured, he eliminated commission sales. When a teacher worried aloud that she might not get as good a price as someone who negotiated, he made an instant decision to stop all haggling discounts.

And when an elderly woman called to report that she was sitting in her lift chair and it wouldn't lift her, leaving her stranded in the recliner she bought from the store, he used his GPS system to locate a nearby delivery truck, and the driver rushed over to save her. He found the cord lying on the floor, unplugged. He plugged her back in and went on his way.

McIngvale himself doesn't look particularly happy as he stands at the counter, but his customers do. As I watched him, I saw a case study for the idea that working hard is not enough. Having a positive attitude? Nah, not enough, either.

But working hard at inspiring a positive attitude in your customers? Now you have a shot. You can work all the time, but unless you're working at being different, you're waiting in a lift chair that's not plugged in.

Hey, why don't you call me on the Corporate Curmudgeon message line, 612-673-9030, and leave me your opinions, questions and suggestions? Or you can write me in care of King Features, 235 E. 45th St., New York, NY 10017, send e-mail to dale@dauten.com or visit http://www.dauten.com on the Web. Distributed by King Features.

Since selling its banking unit, the Pohlad family firm has been in an expansion mode.

Marquette Financial buys Texas firm

By Mike Blahnik
Star Tribune Staff Writer

Marquette Financial Companies, in its third acquisition since May, said Tuesday it has acquired the factoring firm KBK Financial Inc. of Fort Worth, Texas.

KBK ranks just below the 10 largest factoring companies in the country, according to analyst estimates. Factoring firms buy other companies' accounts receivable at a discount, providing the selling company with immediate operating funds, and then collect the receivables from the seller's customers.

Terms of the deal were not announced.

The acquisition is part of Minneapolis-based Marquette's expansion strategy. The company, which sold its Marquette Banks unit to Wells Fargo & Co. last year for an estimated $1 billion, is rebuilding itself into a firm that focuses on specialty commercial finance, commercial mortgage banking and commercial banking.

KBK Financial, a unit of KBK Capital Corp., will become the fifth business in Marquette's commercial finance area. KBK Financial last year bought $500 million in factored receivables from mid-size businesses in 25 states, operating mainly in Texas, California and Georgia.

The factoring industry has seen increased merger and acquisition activity recently as competitors try to grow and gain economies of scale.

"Both asset-based lending and factoring tend to be very fragmented industries that can benefit from consolidation," said Jann Ozzello Wilcox, Marquette's chief financial officer. "Those are industries that are experiencing some difficulty acquiring funding, and we have the funding through our wholesale bank."

Marquette's other commercial finance businesses are Builder's Mortgage Co., a provider of residential construction financing; Itasca Business Credit, an asset-based lender generally serving smaller companies in the Midwest; Marquette Capital Partners, a provider of private capital; and Marquette Funding, a factoring company providing accounts-receivable financing for transportation companies.

KBK Financial also participates in what's known as "non-notification" factoring, where customers aren't notified that their payables have been sold. That fills a niche between Marquette Funding's factoring operations and Itasca Business Credit's asset-based lending, which provides financing based on a company's inventories and receivables without actually buying the receivables.

Earlier this year, Marquette bolstered its commercial banking business by acquiring Valley Bank of Arizona, which it merged with its Community Bank of Arizona to create Meridian Bank, based in Phoenix and serving the Southwest.

Marquette then beefed up its mortgage operations by acquiring the commercial real estate mortgage financing and servicing businesses of Legg Mason Real Estate Services, which it merged into its Minneapolis-based NorthMarq Capital to create the nation's third-largest commercial real estate mortgage operation.

Marquette, which is owned by the Carl Pohlad family, had assets of $725 million after it sold its Marquette Banks. It now has $1.1 billion in assets and plans to double in size within five years, Ozzello Wilcox said.

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MESABA from D1

Carrier's pilots could go on strike after the holidays

Meanwhile, the airline faces another major threat to its revenue: Mesaba pilots could go on strike sometime after the holidays.

The Air Line Pilots Association (ALPA) announced Tuesday that Mesaba pilots voted 758 to 16 to authorize a strike. "Our management frankly has done a fabulous job of unifying the pilots," said Tom Wychor, chairman of the Mesaba ALPA unit.

Mesaba pilots and management have been in negotiations since June 2001 and a federal mediator joined the talks in August 2002.

The lack of progress prompted the pilots to authorize a strike, but Wychor said a strike is not imminent, and the pilots would prefer to simply move forward and reach an agreement at the bargaining table.

In August, the pilots' union asked the National Mediation Board to make an offer of arbitration. If either side declines arbitration, the board would declare a 30-day cooling-off period. Only then would the pilots be free to strike.

The mediation board has not yet responded to the pilots' request. Industry insiders doubt a strike would occur before the holiday season.

"Our focus remains on our daily operations and on achieving a settlement at the negotiating table," Mesaba President John Spanjers said in a statement. "Our goal remains to reach an agreement without any interruption in operations, but we must achieve a contract that allows Mesaba Airlines to survive and grow amid the current industry challenges." Mesaba, one of the largest regional airlines in the country, flies to 109 cities.

While a potential pilot strike looms on the horizon, Mesaba faces an immediate financial threat because of Northwest's desire to replace the four-engine Avros with regional jets that have lower operating costs. Mesaba, which flies 36 Avro jets and 68 Saab turboprops, provides the vast majority of MAIR Holdings' revenue.

MAIR CEO Foley declined to cite specific layoff numbers if Northwest eliminates all Avro business. But, he told analysts, "We are hoping for the best and planning for the worst."

If Northwest cuts all Avro business, he said, that action "would require draconian cuts to our current operations in order to remain profitable as a Saab-only operator."

Foley said he is hopeful that Mesaba would "compete very aggressively for any replacement aircraft," in the event Northwest pulls the Avros. He also said Mesaba wants to secure future allocations of two-engine Canadair Regional Jets (CRJs). Recently, Mesaba was passed over by Northwest as the big airline allocated 34 more CRJs to Memphis-based Pinnacle Airlines in mid-September. Pinnacle's fleet of CRJs is expected to reach 129 aircraft by 2005.

Mesaba also faces new competition from another MAIR Holdings subsidiary — Montana-based Big Sky Airlines. MAIR Holdings acquired Big Sky last year, and the small carrier now flies to four Western states with 19-seat airplanes.

"We did not buy Big Sky to fly [the 19-seat] Metros," Foley said, adding that it has approached several partners in the hopes of growing the company by acquiring regional jets for the Big Sky fleet.

ALPA's Wychor is upset that MAIR Holdings may divert expansion routes to Big Sky instead of Mesaba. "We feel they have turned their backs on commitments they made to us," Wychor said.

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2nd quarter FY2004, 9/30

	2004	2003	% chng.
Revenue	$117.5	$118.6	–1
Income	3.9	2.4	+65.9
Earn/share	0.19	0.12	+58.3
6 months			
Revenue	$231.5	$232.0	–0.2
Income	7.4	3.9	+88.5
Earn/share	0.36	0.19	+89.5

Figures in millions except for earnings per share.

Northwest still in Asia SARS slump

Northwest Airlines Corp., the fourth-largest U.S. carrier, may see a 10 percent decline in Asia-Pacific passenger traffic for the fourth quarter because air travel has yet to recover fully from a slump caused by SARS earlier this year, Vice President Philip Haan said.

The pace of decline for Northwest's traffic within the Pacific-Asia region and between the United States and that region is slowing as concern over the disease wanes, Haan said at a news briefing in Tokyo. Passenger traffic from Japan fell 30 to 40 percent in the second and third quarters from a year ago, he added.

Northwest and other carriers have been hurt by the outbreak of severe acute respiratory syndrome earlier this year, which added problems to an industry already plagued by the war in Iraq and the 2001 terrorist attacks in the United States.

Northwest operates 71 flights weekly between the United States and Japan.

Bloomberg News

EARNINGS

Appliance Recycling Centers of America

(ARCI) Recycles and sells major household appliances.

3rd quarter FY2003, 9/27

	2003	2002	% chng.
Revenue	$11.9	$13.1	–9.3
Income	0.0	0.3	–85
Earn/share	0.01	0.09	–88.9
9 months			
Revenue	$32.6	$36.5	–10.7
Income	–1.3	1.0	—
Earn/share	–0.53	0.32	—

Figures in millions except for earnings per share.

Bremer Financial Corp.

A privately held regional financial services company.

3rd quarter FY2003, 9/30

	2003	2002	% chng.
Inter. inc.	$68.0	$75.7	–10.3
Nonint. inc.	22.5	18.0	+24.9
Income	15.3	16.2	–5.5
Earn/share	1.28	1.35	–5.2
9 months			
Inter. inc.	$205.9	$226.0	–8.9
Nonint. inc.	67.7	54.1	+25.3
Income	46.9	48.9	–4.1
Earn/share	3.91	4.08	–4.2

Figures in millions except for earnings per share.

FSF Financial Corp.

(FFHH) A financial services holding company.

4th quarter FY2003, 9/30

	2003	2002	% chng.
Inter. inc.	$7.8	$9.0	–12.4
Nonint. inc.	2.5	2.5	+0.6
Income	1.1	1.7	–32.6
Earn/share	0.47	0.74	–36.5
12 months			
Inter. inc.	$33.5	$35.2	–4.7
Nonint. inc.	10.5	9.0	+16.8
Income	6.1	6.0	+0.9
Earn/share	2.54	2.63	–3.4

Figures in millions except for earnings per share.

G&K Services Inc.

(GKSRA) Corporate identity apparel programs and facility services.

1st quarter FY2004, 9/27

	2004	2003	% chng.
Revenue	$178.6	$169.8	+5.2
Income	8.1	9.7	–16.4
Earn/share	0.39	0.47	–17

Figures in millions except for earnings per share.

Pemstar Inc.

(PMTR) Provides engineering, manufacturing, distribution and fulfillment services.

2nd quarter FY2004, 9/30

	2004	2003	% chng.
Revenue	$150.6	$176.4	–14.6
Income	–6.8	–10.0	—
Earn/share	–0.17	–0.27	—
6 months			
Revenue	$296.1	$329.5	–10.1
Ops. Net	–17.8	–29.8	—
Extra*	—	–5.3	—
Income	–17.8	–35.1	—
Earn/share	–0.46	–0.95	—

Figures in millions except for earnings per share.
*1st quarter 2003 cumulative effect of accounting change.

Regis Corp.

(RGIS) Owns, operates and franchises hair salons in mall and strip center locations.

1st quarter FY2004, 9/30

	2004	2003	% chng.
Revenue	$460.7	$399.2	+15.4
Income	25.0	19.7	+26.6
Earn/share	0.55	0.44	+25.0

Figures in millions except for earnings per share.

Rochester Medical Corp.

(ROCM) Makes urinary care products.

4th quarter FY2003, 9/30

	2003	2002	% chng.
Revenue	$3,621.0	$3,162.4	+14.5
Income	40.9	–17.4	—
Earn/share	0.01	0.00	—
12 months			
Revenue	$14,655.4	$11,075.5	+32.3
Income	329.9	–1,394.8	—
Earn/share	0.06	–0.26	—

Figures in thousands except for earnings per share.

Sportsman's Guide Inc.

(SGDE) Catalog and Internet retailer of outdoor recreation products.

3rd quarter FY2003, 9/30

	2003	2002	% chng.
Revenue	$41.2	$36.7	+12.2
Income	0.7	0.3	+163.9
Earn/share	0.13	0.05	+160.0
9 months			
Revenue	$123.0	$113.0	+8.9
Income	2.3	1.4	+68.8
Earn/share	0.44	0.27	+63.0

Figures in millions except for earnings per share.

COMPANY ROUNDUP

New business

Fingerhut Direct Marketing Inc., Minnetonka, has implemented CoreIssue credit management and transaction processing software to better handle holiday transaction volumes.

Kroll Ontrack Inc., Eden Prairie, a wholly owned subsidiary of Kroll Inc., has reached a licensing agreement to provide Ontrack PowerControls mailbox recovery software to U.S. Joint Forces Command headquarters in Norfolk, Va.

MTS Systems Corp., Eden Prairie, has secured exclusive rights to use digital video overlay technology from Dartfish USA in its software products for automotive safety engineering applications.

Performance

Open interest in Hard Winter Wheat Index (HWI) futures and options, traded at the **Minneapolis Grain Exchange** since May 9, reached a record 3,243 contracts at the end of trading Friday. Open interest is the number of open positions held at the end of the day by market participants in all contract months and is a measure of a market's liquidity. Of the 3,243 HWI contracts, 1,286 were futures and 1,957 were options.

Bio-Key International Inc., Eagan, reported revenue of $150,000 for the third quarter ended Sept. 30, up from $13,020 in third-quarter 2002.

Debt and equities

Wits Basin Precious Minerals Inc., Minnetonka, formerly known as Active IQ Technologies Inc., has completed a private placement of an additional 4.8 million units of its securities, resulting in gross proceeds of about $1.2 million. Each unit sold consisted of one common share and half of a one-year warrant to buy one common share at 75 cents. Combined with the first closing announced Oct. 14, Wits Basin raised more than $2.5 million.

Deluxe Corp., Shoreview, has declared a regular quarterly dividend of 37 cents per share, payable Dec. 1 to shareholders of record Nov. 17. The company had about 50.8 million shares outstanding as of Oct. 22.

Datakey Inc., Burnsville, has obtained $3.12 million in new financing from a group of accredited investors, including three of its largest existing shareholders. In separate transactions, the company received $1.12 million from the exercise of existing warrants and $2 million from a convertible debt financing.

EMC Corp., St. Paul, declared a regular annual dividend of 20 cents per share, payable Jan. 2 to shareholders of record Dec. 12. A special dividend of 30 cents per share was declared from proceeds from the sale of assets of Digital Excellence Inc. as of Dec. 31, 2001. The record and payment dates are the same as the regular dividend.

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