

# TwinCities BUSINESS

**JULY 2010** Contents



35

## Minnesota Business Hall of Fame

**By Phil Bolsta and Patricia Kelly**

Five lifetimes of achievement in business—Michael Berman, James Dolan, David Frauenshuh, William Knowlton, and **John Lindahl**.



## COVER

The Minnesota Business Hall of Fame's Class of 2010 will be officially inducted Thursday, July 29. See page 35 for information on attending the induction gala and dinner.

52

## the Fallon Diaspora

**By Gene rebeck** Fallon has been creative in more ways than one. Besides award-winning advertising, it has spawned several new agencies that are small, but garnering national attention. For instance, take Blu Dot's **real Good Chair**—please.



46

## Believe It Or Not

**By Jack Gordon** Breathe Laser Therapy claims to have a better way to help smokers kick the habit. CEO **rick Diamond** intends a national rollout. All that stands in the way is a little credibility issue and a treatment method that “sounds like voodoo.”

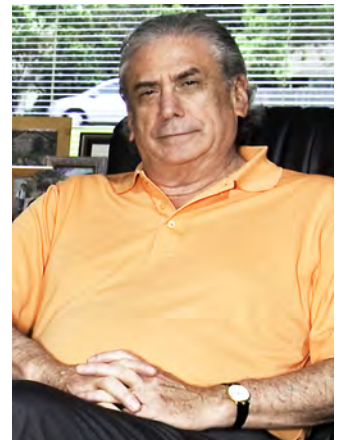


56

## Irwin Jacobs Gets Back In the Boat

**By sven a. Wehrwein**

Shaken by a Genmar bankruptcy that he didn't see coming, he's determined to rebuild his boat business. Jacobs doesn't expect an industry turnaround, but says he'll be profitable regardless.



# BELIEVE IT OR NOT

Breathe Laser Therapy claims to have a better way to help smokers kick the habit. CEO Rick Diamond intends a national rollout. All that stands in the way is a little credibility issue and a treatment method that "sounds like voodoo."

---

By  
Jack Gordon

---

Photography  
by  
Travis Anderson

# R

esolution Laser, LLC, doing business as Breathe Laser Therapy, has one office, 12 employees, less than \$1 million in annual revenue, and an extraordinarily ambitious business plan. The three-year-old Minnetonka company envisions 100 locations nationwide within the next three years.

As that suggests, founder and CEO Rick Diamond figures that he is sitting on a tremendous business opportunity.

Breathe Laser Therapy offers a stop-smoking program that uses low-intensity,

Class 3B medical lasers in a manner similar to that in which acupuncturists use needles. The company claims a 60 percent success rate (no smoking) one year after treatment. It appears to be the only business of its kind in the Twin Cities, though certainly not the only one in the country.

The laser procedure costs \$489—less than three months' worth of cigarettes for a pack-a-day smoker. The promise is that the lasers will cause a release of the same mood-elevating chemicals in the body that cigarette smoking does, and will thereby reduce the frequency and severity of cigarette cravings. As the company's local radio advertisements put it: Quitting smoking sucks, but Breathe Laser makes it suck less.

The U.S. Food and Drug Administration puts it differently. No harmful side effects have been associated with low-intensity medical lasers. The FDA has given approval or marketing clearance for laser applications ranging from hair growth and acne treatment to the alleviation of neck and shoulder pain. But it has not approved or cleared any laser treatments for the purpose of smoking cessation. According to Karen Riley, an FDA spokesperson in Washington, D.C., the agency has had "discussions with several companies and individuals" about the clinical testing requirements that would have to be met in order to obtain marketing clearance, but that is as far as things have gone. In the absence of any studies to review, she says, the FDA has no official opinion.

Diamond acknowledges that his business plan has a big downside in that "there's such a credibility hurdle. For one thing, our success rate sounds too good to be true. And two, when you hear about lasers and quitting smoking, it sounds like voodoo, it sounds like quackery. It's an uphill battle trying to bring this to the market."

But the regulators' neutral stance is both bad news and good news to Diamond. For the moment, he says, he is happy that laser treatments are neither FDA approved nor accepted by most of the medical community.

"If this was mainstream medicine, we wouldn't have a business opportunity," he says. The basis for his business plan is that "this really is a better mousetrap, and the people who could take advantage of it soonest aren't doing it. If Mayo and Park Nicollet were doing it, why would anybody come to us?"

# "No Biologically Plausible Reason"

It doesn't help Breathe Laser's cause that Google searches easily turn up laser-treatment businesses in other states that promise not only to eliminate cravings for cigarettes, but also to cure alcoholism and gambling addiction. "I wish they wouldn't do that," Diamond says sadly.

His company deals solely in smoking and chewing-tobacco cessation. It offers no recognized clinical trials that could verify success rates or compare the results of actual laser treatments to placebo treatments with a bogus laser. But in their place, Breathe Laser Therapy can produce plenty of longtime nicotine addicts who attest to the fact that this was the one method out of many that they've tried that finally enabled them to kick the habit.

Since the company opened for business in 2007, it has treated more than 3,000 people. It follows up with them for a year after treatment to see if they've relapsed. According to the latest figures, at least six in 10 report after 12 months that they've successfully stopped smoking, Diamond says.

Breathe Laser's Web site promotes an 80 percent success rate, however. Diamond explains that this is because 80 percent was independently verified in 2007 by fact checkers for a KARE 11 television news report. (KARE 11's report did not say how long the contacted clients had gone without smoking.)

But even a 60 percent success rate, especially measured after a full year, leaves better-known smoking-cessation techniques in the dust. Some studies show that of smokers who try to quit cold turkey, only 2 or 3 percent are successful a year later. Nicotine-replacement gums, lozenges, and patches have success rates of less than 10 percent one year out. A clinical study of the prescription drug Chantix, used to curb the urge to smoke, showed 12-week success rates of 44 percent for Chantix, 30 percent for Zyban, and 18 percent for placebo sugar pills, according to Chantix's maker, Pfizer.

Lasers' skeptics in the medical community include Dr. Richard Hurt, director of the Mayo Clinic's Nicotine Dependence Center. Hurt says that success rates of 60 percent or greater for any smoking-cessation method do, indeed, sound too good to be true. He points out that laser treatment is supposed to work on the same biochemical principles as acupuncture, and that clinical studies of acupuncture's effectiveness for smoking cessation have found no significant difference between sham treatments—placebo-puncture, as it were—and the real thing. Hurt sees "no biologically plausible reason" why laser treatments would significantly reduce a smoker's cravings.

## The Ex-Smoker CEO

Diamond, a licensed attorney in Minnesota but not practicing law, says the laser treatment sounded "goofy" to him, too, when he heard about it from an acquaintance in 2006. He was in his mid-40s and had smoked since his teens. Over the previous few years, he had tried many times to quit, only to revert to his two-pack-a-day habit after days or weeks. He got a laser treatment from a practitioner in Chicago, he says, only because he figured he had nothing to lose.



He was surprised to discover that it worked exactly as promised. The first two days were rough, he says, but "my cravings decreased by about 50 percent a day, every day. By the end of the first week, I was down to two or three cravings a day, each three to five seconds long. And the intensity of them was like a mosquito bite. I still had cravings, but it wasn't an 'I'd kill somebody for a cigarette' type of intensity."

The idea of going into the business arose quickly. Building a company was something Diamond understood. In 1987, he cofounded ACI Telecentrics, a Minneapolis-based telemarketing company that went public in 1996 and grew into an operation with more than 2,000 employees and 13 offices in the United States and Canada. Diamond headed ACI until it was sold in 2005. At the time he got the laser treatment, he was looking for a new venture.

Unlike his earlier company, Breathe Laser Therapy is a business of the heart, he says. He is its sole owner and funder: "It is a very cool thing when you can combine the opportunity to do well with doing good." He has wanted to avoid the spotlight that comes with leading a fast-growth or public company, Diamond says. But to further his mission of helping people, he is working with a writer who's developed a reality television concept about people quitting smoking. In it, Diamond would be a mysterious and beneficent figure, an unseen presence that he compares to Charlie in *Charlie's Angels*.

Low-intensity lasers cost "tens of thousands of dollars each, but not hundreds of thousands," Diamond says. No licensing or formal medical training is required to operate them. Diamond learned the smoking-cessation procedure from the Valor Laser Institute in Kentucky, which is "affiliated with but separate from the manufacturer of the laser." The institute also gave him a certificate authorizing him to train others. So Diamond later trained the five technicians Breathe Laser currently employs—all of them former customers who successfully kicked the habit.

## Skeptical, But "If It Helps, I Don't Care"

A client relaxes in a reclining chair at the Minnetonka office, and a Breathe Laser Therapy technician presses a laser light pen to 25 strategic points on the person's thumbs, wrists, ears, nose, and forehead. The procedure takes less than 30 minutes. It is painless. Most smokers get two treatments, two days apart—Monday and Wednesday, say. Tobacco chewers and Marlboro smokers get three treatments—Monday, Tuesday, Wednesday—because chewing and Marlboros are extra addictive. According to Breathe Laser's explanatory materials, here is how the laser works.

The treatment stimulates the nervous system to increase the production of natural feel-good chemicals: endorphins, serotonin, dopamine, and others. Nonsmokers' bodies produce these chemicals according to an internal clock. When you smoke, however, the nicotine and the multitude of toxins you inhale cause trauma to your lungs, throat, and other tissues. Your body responds as it would to an infection, releasing the feel-good chemicals "to begin the healing process and to mask the pain of injury."

Over time, a smoker's body stops releasing the chemicals on its natural clock. It comes to depend on the toxins in cigarettes to trigger the next spike of endorphins, dopamine, and the rest. Tobacco addiction, or at least a big part of it, is not a



# Kicking It

Most smokers try and try again. That's because six months out, no method can really be called highly effective. By comparison, Breathe Laser Therapy's claim of 60 percent abstinence one year after treatment seems downright miraculous.



**Source:** TREATING TOBACCO USE AND DEPENDENCE: 2008 Update, published by the U.S. Department of Health and Human Services

craving for nicotine, per se, but a craving for the endorphin rush that nicotine produces. Breathe Laser Therapy says its treatment raises the baseline levels of these chemicals in the body—the buildup takes about two days—and keeps them elevated for 30 to 45 days. The craving for nicotine-induced spikes is therefore greatly reduced in frequency and intensity, the company says, and in about 21 days, the body begins to produce mood-elevating chemicals on a natural cycle again.

Dr. Jack Petrie, an internist and medical director for the Highland Park branch of the Aspen Medical Group, studied acupuncture at the University of Minnesota. Asked about Breathe Laser's methods, he says he's not aware that either lasers or acupuncture are being used in connection with smoking cessation. Given a bare-bones version of the description above, he offers a few observations.

It is a well-documented fact that acupuncture releases endorphins, Petrie says. It is also true that you don't need

needles to stimulate acupuncture points. "I've used ice," he says. So it doesn't seem implausible that lasers might work as stimulators. In his experience, though, the effects are short lived. His eyebrows rise at the part where the endorphins and other chemicals remain elevated for 30 days or more.

"You can get the endorphins going, but they're not going to hang around for a month," he says. "I don't know why using a laser instead of a needle would change that."

As a believer in evidence-based medicine, Petrie says, he would be skeptical of any smoking-cessation method that had no scientific studies to back up its claims. That said, however, "Anything that helps you quit smoking is good. If it helps, I don't care if they smear peanut butter on your testicles."

That essentially echoes the attitude of Breathe Laser's medical director, Dr. Aaron Nathenson, who also is chief of ophthalmology at Hennepin County Medical Center. Nathenson explains that he and Diamond are related—second cousins, he thinks.



Minnesota law requires any “treating facility” to have oversight by a physician. One thing led to another.

“My main feeling is, any way to get people to stop smoking is good,” Nathenson says. Breathe Laser Therapy “would probably ride better with a lot of physicians in town” if it were rigorously tested, he says, but a true double-blind study would be expensive beyond the company’s current means.

The treatment is safe, so harmful side effects are a nonissue, Nathenson says. And he believes, based on the company’s follow-ups, that the success rate really does hover around 60 percent. Could it be a placebo effect? Possibly. He says he has referred smokers to Breathe Laser Therapy regardless.

## Selling It to Smokers and Their Bosses

Referrals from satisfied customers are his company’s number-one generator of new customers, Diamond says. Even smokers who have relapsed after a few months often insist that quitting was easier with the laser treatment. A friendly letter from Breathe Laser Therapy after six months or a year is likely to remind them that cousin Fred should try it. A \$25 gift certificate reinforces the idea.

Radio advertising also brings in business. A few past clients are local radio personalities and give testimonials on the air, most of them unpaid, Diamond says. Especially effective as a pitchman has been Phillip Wise, also known as the Philly Dawg, on KQRS-FM. Wise was the first to use Diamond’s “sucks less” tagline on the air, the CEO claims. GlaxoSmithKline, maker of Nicorette nicotine-replacement products, began using the same “sucks less” theme in a series of television and print ads last December. He hasn’t checked to see “if it’s worth the time, money, and effort to go after them,” Diamond says. “It should probably be higher on my to-do list.”

“Retail” customers come to the company’s Minnetonka office, but Breathe Laser Therapy also markets itself to businesses, offering to bring its equipment and technicians to corporate locations.

Jennifer Vaske runs the wellness program for Accessible Space, Inc., a national, St. Paul–based nonprofit that provides housing and services for disabled people. She says that last year, when she was looking for an “innovative” smoking-cessation program to offer to employees, the organization’s insurance broker told her about Breathe Laser Therapy. A technician came to the St. Paul office in early September and delivered the treatment to 10 employees, most of whom had tried to quit numerous times before, Vaske says. As of her last check on March 1, six months later, seven of the 10 were still not smoking.

Marie Waugh, human resources manager for Myers Printing of Minneapolis, says her company began telling employees about Breathe Laser Therapy in May 2009, when Myers’ wellness committee launched a reimbursement program for smoking-cessation treatments. Five employees got the treatments last year, Waugh says. Two relapsed. As of early April, three had not smoked since sometime last year—a 60 percent success rate.

Diamond says that until late last year, the corporate side of the business wasn’t heavily marketed and accounted for only about 5 percent of revenue. In December, Phil Berbig, a former ACI Telecentrics employee, joined the company as head of corporate sales. Since the start of this year, Berbig

has added more than half a dozen clients, and the corporate side now brings in 25 percent of revenue.

The pitch to companies stresses cost savings. Berbig is armed with work sheets showing that if a smoker’s cigarette breaks, outside of normal work breaks, amount to even 30 minutes a day in downtime, a typical employer could underwrite half the cost of Breathe Laser treatment and still reap a fabulous return on investment within a matter of months. That’s not to mention savings on health insurance premiums.

Since the treatment is not FDA approved, many health-insurance plans do not reimburse for it. And Breathe Laser actually discourages corporations from paying more than about half the \$489 cost of treatment for their employees. “We want the people we treat to have some skin in the game,” Berbig says.

Breathe Laser’s success rate is its greatest marketing advantage. Because of that, it does not try to convince people to stop smoking. It does not accept teenagers as clients. And it does not want to go to a corporate office and give treatments to 20 smokers who have no real intention of quitting, but are willing to check out the laser as a novelty on their employer’s dime. “You have to want to quit,” Berbig says. The laser can make the process suck less, but it still sucks.

## In Need of Partners and Capital

The business plan calls for the corporate side to keep growing, accounting for 38 percent of revenue by 2012. One obvious move would be to seek affiliations with larger companies serving the health and wellness markets. Last year, Diamond and Minneapolis-based wellness-management company Health Fitness Corporation agreed to talk about incorporating Breathe Laser Therapy into HFC’s offerings, but talks were sidetracked when Health Fitness was sold in February to Trustmark Mutual Holding Company of Chicago. More recently, Diamond has been in discussions with locally based UnitedHealthcare.

The plan to begin expanding later this year—and to see 100 locations in place within three years—depends heavily on whether Breathe Laser can realize its hope to form another kind of partnership, with a major national retailer. Diamond says he has had serious conversations with one retailer about a proposal whereby Breathe Laser would lease space within the retailer’s stores in 50 major markets.

If he can swing such a deal, Diamond estimates he would need to raise about \$10 million in equity to hit the 100-store mark. He says he has feelers out to potential corporate investors. To grow to the same scale without a major retail partner would be far more expensive and time consuming, he says: “We’d have to raise closer to \$75 million, and eight years might be an optimistic timetable.”

One way or another, however, Diamond does intend to grow his company. Helping people kick the habit agrees with him. Breathe Laser Therapy has become a calling: “I’ve got a thick file of letters from people saying, ‘You changed my life. I never thought I could quit, but I did.’ That’s pretty cool.” **TCB**



*Senior writer Jack Gordon has not smoked since taking Breathe Laser’s treatment, but he still gets awfully ambivalent from time to time.*

# The Monkey and Me

Testimonials and “dancing lessons from God.”



I would be a bad test case for Breathe Laser Therapy, I explain to CEO Rick Diamond. For one thing, I haven't actually quite decided to quit smoking. I came here to write a magazine article, not to kick my own habit. For another thing, in my entire 40-year career as a cigarette devotee, I have never tried to quit. Not even for a day. So, I can make no comparison with other cessation techniques.

From a testimonial point of view, a great client for Breathe Laser is a guy like Richard “Froggy” Maroushek of Cottage Grove, who says he smoked two packs a day for about 30 years, then walked into Breathe Laser's office in January 2008 and hasn't been seriously tempted to light up since. Maroushek says he had quit for up to a month before, using Nicorettes, but “I always started smoking again because it drives you nuts, all you think about is a cigarette. The laser took that craving away.”

Doug Henneman, a software engineer from Coon Rapids, attests to the relative effectiveness of the laser treatments and to the importance of making a commitment to quit. Breathe Laser's typical regimen is two or three treatments over a three-day period, but the \$489 price allows a backsliding client to come back as often as necessary for six months. Henneman repeated the process three or four times before he finally achieved the right mindset for his last treatment in March 2009: “Nothing will help if your head's not in the game.”

Henneman smoked heavily for about 30 years, and says he tried seriously to quit using gum, patches, and the prescription drug Chantix. Nothing worked. “For me, [quitting after laser treatments] was still a very difficult process,” he says. But the cravings did seem significantly reduced. “If cold-turkey cravings were a 10, laser cravings were a three.”

My experience with nicotine withdrawal is limited to hours, not days or months, and my mindset is highly questionable. What's more, I have no skin in the game since I'm not paying for the treatment. As Sigmund

Freud is supposed to have said, if you don't pay, you don't get better.

On the other hand, my wife has been on my back lately (right next to the monkey), and I did tell her that I would quit in 2010. I was thinking December, not March, but still. Also, it is a bit eerie that I should get this particular magazine assignment after making that particular promise. Kurt Vonnegut said that unusual travel suggestions are dancing lessons from God. This has a little of that feel to it.

All things considered, Diamond probably should tell me to take a hike. But he agrees to put me through the treatment—just to show what it's like, no expectations.

The laser machine is roughly as big as a laptop computer. A laser pen is attached by an insulated wire, like a phone cord. I recline in a chair and hold a metal conductor the size of a Bic lighter—to form a circuit, with me as ground, Diamond explains.

He presses the pen against 25 points on my body where certain nerves cluster, working from my left thumb and wrist, to my ears and forehead, down to my right thumb and wrist. He doesn't refer to them as acupuncture points; neither does any Breathe Laser literature. Clinical studies of acupuncture as a smoking-cessation technique have been very discouraging. “I don't like associating this with acupuncture because that just sets up more credibility issues in people's minds,” he says. “Besides, lasers have a very specific effect on the central nervous system.”

I smoke Marlboros, which experience has shown are the hardest brand to quit. Diamond believes this is because Marlboros are more acidic, which alters their nicotine

and other toxins and makes them easier for the lungs to absorb. He doesn't claim to be sure about that. He just knows that his success rate with Marlboro smokers goes up if they get three treatments instead of the usual two. So I will have to come back for the next two days.

Diamond advises me to drink lots of water, take vitamin C, stock up on suckers or chewing gum (not nicotine gum, mind you), and try to avoid triggers in the next week—like beer or driving—that will make me want to smoke. Above all, I should remember this: For a full 30 days, whenever I feel a craving for a cigarette, I should take three deep breaths and repeat an “affirmation statement” three times. The affirmation should be something like “I am smoke-free,” or “I am stronger than this,” or “I can do it.”

This is a behavior modification technique to reprogram the brain by giving it something to think instead of “I want a cigarette right now.” The laser can reduce the body's physical cravings, but it can't eliminate the psychological desire. At my next two treatments, technician Wendy Rudoy will repeat that the affirmation is critical. A former Breathe Laser client herself, she still uses her affirmation a year after kicking a long-time habit.

I figured I would just take it a day at a time. As this story goes to press, I have not smoked for 10 weeks. Have these weeks sucked less than they would have if I quit cold turkey, using only the lollipops, the breathing, and the affirmation statements? My guess is yes, but having never tried, I don't know.

A better question is probably this: Has it sucked less than it would have if everything about the experience remained constant but the laser treatment itself was a placebo—just a pen light? Short of a clinical test, how would anybody know?

I'd be interested to find out, but not yet. If it's only the power of suggestion that has made this seem doable, let's give it another five or six months before I learn the truth.  
—J. G.