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Rebuilding a career

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Dave Guenther is coming back. He knows it's unlikely he'll ever again see the high-flying life of a top executive at a Fortune 500 company during the 1990s tech boom, but he sounds ready to settle for less.



Dave Guenther

He is chief operating officer at a temporary-help firm that has tripled its revenue in the two years he has been there. Still, the \$12 million in sales it expects this year is dwarfed by the nearly \$7 billion at his previous company. His pay is rising but is a fraction of the \$331,000 in salary and bonus he got in 1998.

Guenther, though, is two big steps ahead of where he was less than four years ago - jobless and facing a Securities and Exchange Commission lawsuit accusing him of fraudulently inflating revenue and profits at Inacom Corp.

The first step came in November 2003 when he landed the COO job at RTG Medical in Fremont, Neb. The second came last month when a judge ruled that the federal government didn't prove its fraud accusation. He dismissed the SEC suit.

Guenther helped create Inacom. He was an accountant at Valmont Industries of Omaha, which makes irrigation systems for farmers and had started a computer-selling business. Guenther was named chief financial officer when the computer business, spun off by Valmont, went public in 1987 as Valcom. Bill Fairfield, also a former Valmont employee, was chief executive.

Heady times followed. Valcom gobbled up other companies, among them a Michigan one, Inacomp, in 1991. The merged company renamed itself Inacom.

From simply peddling early IBM PC models such as the PS1, Inacom began customizing big-name computers for corporate customers. It set up several factories around the country, one in Sarpy County.

"I got to do things I never would have dreamed of," Guenther said.

"We were going to sell computers to farmers. We convinced IBM of that. I don't know, I suppose we sold some to farmers, but not very many.

"We became IBM's biggest reseller of computers. We were their largest customer, Compaq's largest customer, probably two or three with Hewlett Packard . . .

"It was exciting. Gosh, when I was a kid growing up in South Dakota, I never would have thought that I was going to get to be involved in a public offering and help grow an idea into a Fortune 500 company.

"That was a fun ride."

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The ride included jetting among Omaha, Inacom's factories and the home bases and factories of the three big PC makers; meetings around the country with customers and dealers; and retreats at places such as the plush Broadmoor Hotel in Colorado Springs.

The ride brought him a stack of Inacom stock and options to buy more, totaling 65,335 shares, according to the 1999 proxy. A holding of 65,000 shares at the \$40 price on the last day of 1996, 13 cents below the all-time high set the day before, would have been worth \$2.6 million.

The ride took him to Inacom's largest and last acquisition. From there, it was a short ride to the end of the line - bankruptcy. When direct-seller computer makers such as Dell cut into the business of Inacom and other resellers, Inacom expanded to the computer services field. In February 1999 it acquired Vanstar Corp., another computer seller that was shifting to services. Combining their 1998 books, they could boast of nearly \$7 billion in annual revenue and 12,000 employees.

Inacom's stock price, then well off its peak, stabilized for a time but in August 1999 began a steady decline. The slide was a backdrop for the SEC's claim more than two years later that Inacom's third-quarter 1999 results were propped up with fraudulent accounting.

By the government's account, Inacom Chief Executive Gerry Gagliardi began questioning the accounting days after he took over in October 1999 from Fairfield, whom the company's board had ousted from the top job.

In its January 2002 civil suit, the SEC said Guenther and Jay Samuelson, the assistant controller, had created a "cookie jar" of reserves for accounts payable and other reserves for manufacturers' rebates Inacom said it expected.

When third-quarter revenue looked shaky, the SEC said, Guenther and Samuelson dipped into the reserves to produce a proposed earnings report to match what Guenther had told the firm's bankers to expect. Gagliardi and the board, however, cut back the figures to show lower results, 15 cents a share. The stock price fell by more than half, to \$3.94 a share Oct. 27, 1999, the day after the lower-than-expected earnings report.

Samuelson, also cleared of the SEC suit against him, declined to be interviewed.

In the months following October 1999, Gagliardi and the board replaced Guenther as CFO, stripped Fairfield of the chairmanship he had hung onto after being removed as CEO, reduced the size of the board to give its Vanstar members more clout, and sold the computer-customizing and reselling business to Compaq Computer Corp.

That sale made it tougher to collect the IBM and Hewlett Packard manufacturers' rebates on which the reserves, important to the revenue stream, were based, Guenther said. Inacom could not build the remaining services business fast enough to escape a downward spiral.

Inacom went bankrupt in June 2000, a few months after its headquarters moved from Omaha to the Atlanta suburb that had been Vanstar's home. Its stock was worthless.

Guenther was assigned to help Compaq with the acquisition of Inacom's computer business. Inacom paid him, but the paychecks stopped with the bankruptcy filing. Compaq paid him until January 2001. After that, he said, he spent nearly two years without steady work, picking up some consulting jobs. He mailed thousands of résumés without getting replies.



"None. The phone doesn't ring."

He hired a job-search firm.

"Nothing."

One reason during the first year was the post-tech boom recession, he said. After that came the SEC civil suit.

"The job market for COOs and CFOs with an SEC lawsuit pending is a fairly narrow market," Guenther said.

And not just in Omaha.

"We were pretty open to go anywhere. Unfortunately, in today's world, Google 'Dave Guenther' and . . . the first thing that popped up was 'SEC lawsuit.'"

With no job and no prospects, he and his wife, Gale, downsized. It took two years to sell the nearly \$600,000 Bay Wood subdivision house they had bought in 1996. They moved down 180th Street to Hawthorne and a house worth about a third as much.

"You will be amazed at how much you can cut your expenses if you really put your mind to it," he said. "Our expenses today are one-third of what they were."

Guenther, 55, sounds wistful at times - as when he said, "I will not get the opportunity to retire" - and then turns buoyant. He laughed as he finished the thought: "Of course, having spent three years unemployed, I can tell you retirement is way overrated."

"We miss some of the travel, that was fun. We do driving vacations now."

"We're not going to be in the soup line," Gale Guenther said. "We downsized and, frankly, that's a good thing."

Guenther wouldn't say how much he makes at RTG, but the paychecks have grown as he has helped build the company, which recently was named by Inc. magazine as one of the 500 fastest-growing privately owned companies in the country.

RTG supplies clinics and other health institutions around the country with temporary medical workers. The company, started in 2000, had nine in-house employees in 2003 and 36 medical employees it placed in temporary jobs. Today it has 25 in-house workers and 130 medical professionals, he said.

"We have a really good life," he said. "We know who our friends are. And what the heck - there's still a lot of life to live."

They found, they said, the difference between friends and business associates.

"I don't think that we had any friends who are no longer our friends," he said. "We found out we had a lot of business associates who we've not talked to in six years."

They are not bitter, he insists. He sees vindication in U.S. District Judge Joseph Bataillon's dismissal of the SEC suit against him and Samuelson.

In his Sept. 26 decision after a bench trial in April, Bataillon wrote, "There has been a complete and utter failure of proof by the commission."

Samuelson moved to Compaq when it bought the Inacom computer business, then to Hewlett Packard when it acquired Compaq. HP closed the Sarpy County plant in 2004; the company has other Omaha-area operations.



Guenthner has a sense of victory, though it may be a hollow one because of the damage to his reputation. His lawyer talked with the SEC about settling, but Guenthner would not agree to the terms, which included financial penalties and a stipulation that he not discuss the case.

He insists there was no fraud.

"We didn't do anything (wrong). We expected to collect those reserves. If they hadn't sold the business to Compaq, we would have collected them."

He estimated the legal costs of the fight at \$3 million, all of it to be paid by insurance carried by Inacom. That was the key to fighting and winning, he said.

"Without them (insurance companies) fronting the attorneys' fees, there was no way Jay and I could have put up a fight."

It was still a gamble. Had he and Samuelson lost, Guenthner said, they would have been liable for the legal costs.

That aside, he suggested he had nothing to lose.

"By the time we went to court, what more are you going to do to me? I've lost my job. I can't get another job. The stock that I had had become worth zero, just like everybody else's. My reputation had been hung out there as soon as the suit got filed. If I lost, I got to pay a fine, and I got to pay the insurance company."

There's no way to recover damages from the SEC for the damage to his name, Guenthner said.

"There is nobody at the SEC who is going to go back and review this case and say, 'This case should never have been brought.' The guys who investigated are going to say the people who prosecuted it blew it. The people who prosecuted it are going to say the guys who investigated it blew it.

"There isn't any window I can go to (to) get my reputation back."

The rise and fall of Inacom

1982 - Valmont Industries, an irrigation equipment maker, begins selling computers to farmers.

1987 - Valmont spins off Valcom with Bill Fairfield as CEO and David Guenthner as CFO; stock debuts on Nasdaq exchange.

1991 - Valcom is renamed Inacom after acquiring Inacomp, a Michigan company.

Dec. 30, 1996 - Stock price peaks at \$40.13.

1997 - Inacom stock moves to New York Stock Exchange.

February 1999 - Inacom acquires Vanstar Corp. of Georgia to beef up services side of business. Combined annual revenue is nearly \$7 billion. Employees: 10,000-plus companywide, 1,400 in Omaha area.

September 1999 - Fairfield is named chairman.

Oct. 18, 1999 - Fairfield ousted as CEO, replaced by Gerry Gagliardi, former Unisys Corp. executive. Fairfield remains chairman.

Oct. 27, 1999 - Stock price plunges after third-quarter earnings come out lower than expected.

Nov. 30, 1999 - Guenthner ousted as CFO, stays on as an executive vice president.

Jan. 4, 2000 - Sale of computer customization and sales operation to Compaq Computer Corp. for



\$370 million is announced.

Jan. 5, 2000 - Gagliardi says headquarters will move to East Coast.

Jan. 25, 2000 - Fairfield ousted as chairman. Gagliardi succeeds him.

Feb. 17, 2000 - Sale of computer customization and sales operation to Compaq Computer Corp. closes.

June 2000 - Inacom files for bankruptcy.

January 2002 - Securities and Exchange Commission sues Guenther and Jay Samuelson, assistant controller, accusing them of fraudulently inflating earnings.

April 2005 - Suit goes to nonjury trial in federal court in Omaha.

September 2005 - District Judge Joseph Bataillon dismisses suit, saying SEC "failed to prove any elements of its securities fraud claims."