



New CEO

Schock feels familiarity at McKee

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Northern Colorado BUSINESS REPORT

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Overall signs point to '10 job recovery

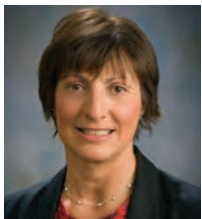
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Investors sue New Frontier directors

Civil suit seeks \$13 million lost by shareholders

By **Kristen Tatti**
ktatti@ncbr.com

GREELEY — When industry regulators closed New Frontier Bank in April 2009, hundreds of

shareholders lost hundreds of millions of dollars invested over the 11-year life of the institution. Now a handful of those shareholders are seeking to recover their losses from the directors and some officers of the bank, whom they claim were responsible for the failure.

On Dec. 15, nearly 60 former shareholders filed a civil lawsuit in Weld County District Court naming nine defendants — for-

mer New Frontier directors Tim Thissen, Robert Brunner, John Kammeier, Jack Renfro, Donald Lawler, Rodney Dean Juhl and Larry Seastrom, who was also president of the bank, and bank officers Greg Bell and Jim Rutz. The shareholders represent around \$13 million worth of investments made into the bank from the months before the bank opened in 1998 through October 2008.

When the bank failed, the shares essentially lost all value. The largest losses belonged to two equity investment funds with \$2.4 million and \$1.98 million invested, and one-time board member Carroll Miller, who had invested \$1.35 million through a trust in his and his wife's names.

The suit alleges that the defendants permitted and encouraged policies and practices that led to

See NFB, 14



Roundtable experts look up from the bottom

Steve Porter, Northern Colorado Business Report

PANEL OF PROGNOSTICATORS — NCBR's 2010 Economic Roundtable met at First Western Bank and Trust in December to share thoughts for the coming year. From left, Marc Arnusch; Rick Hausman; Cory Carroll; Kelly Peters and Steve Kawulok. Darrell McAllister joined the conversation via speakerphone, center.

Local economy faces issues in '10, but seeds of recovery sprouting

By **NCBR staff**

The Northern Colorado Business Report editorial staff convened its annual roundtable of industry experts to discuss their outlook on the coming year

in the Northern Colorado economy. This year's participants included **Marc Arnusch**, Weld County farmer and former board member of the Weld County Farm Bureau; **Cory Carroll**,
See **ROUNDTABLE, 22**

The road ahead

Starting on page 2, examine how Northern Colorado's economic sectors are shaping up for 2010.

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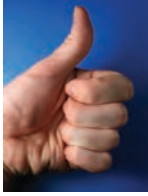
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Overall signs point to jobs recovery in 2010

Unemployment rate began to drop in second half of 2009

By Steve Porter
sporter@ncbr.com



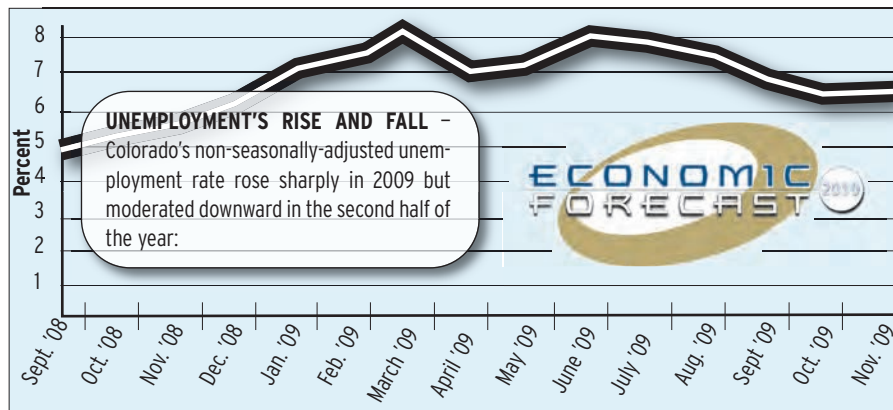
Employment

Workers in Northern Colorado generally avoided mass layoffs in 2009, although significant numbers of jobs were lost in the region as employers periodically shed employees and quietly downsized their staffs.

Overall, Colorado officially lost 111,000 jobs since September 2008, according to the Colorado Department of Labor and Employment. But Bill Thoennes, CDLE spokesman, said that estimate may be low.

"The data used to track these losses and generate the monthly job losses report is adjusted in February of each year," he said. "It may be revised upward to as high as 130,000 job losses."

Since the so-called national financial meltdown erupted at the end of 2008, Colorado's unemployment rate climbed from 4.8 percent to a high of 7.9 percent in March. The unemployment rate has generally moderated downward since then, hitting a low of 6.6 percent in October and then bumping up a percentage point in November. December's



SOURCE: COLORADO DEPARTMENT OF LABOR AND EMPLOYMENT

unemployment rate will be released on Jan. 22, Thoennes said.

Colorado's unemployment has remained far below the national rate, which hit 10 percent in November and held steady in December.

In Northern Colorado, trends mirroring the state were seen in 2009, although unemployment has been significantly higher in Weld County than in Larimer County.

The non-seasonally-adjusted unemployment rate for the Greeley Metropolitan Statistical Area rose from 7.8 percent in January 2009 to a high of 8.8 percent in June and dropped to a low of 7.4 percent in October before rising again to 7.7 percent in November.

Unemployment in the Fort Collins-Loveland MSA held under 7 percent in 2009, rising from 6.2 percent in January 2009 to a high of 6.8 percent in March. The unemployment rate dropped to 5.5

percent in October but rose to 5.7 percent in November.

Through November 2009, construction employment statewide was down by 21.9 percent and manufacturing employment was down by 13.3 percent.

Last month, Donald Mares, state labor department executive director, said recent unemployment reports appeared to be heralding a recovery in 2010.

"Both employment and the unemployment rate are now holding steady, which marks a turning point for Colorado's economic recovery," Mares said in a statement. "Over-the-month job growth, while slight, is positive news after months of job declines."

Earlier this month, independent analysts at the Bureau of National Affairs reported their projection that job growth would pick up across the nation in 2010.

"Employment gains will average

70,700 jobs per month in the first six months of 2010, accelerating to 135,300 jobs per month in the second half," the report said. "(The) unemployment rate will hover around 10 percent throughout the year, averaging 10.2 percent in the first half and 9.9 percent in the second half."

A report issued Jan. 6 by the Conference Board Help Wanted Online Data Series appeared to back that up, noting that online advertised job vacancies rose by 255,000 in December after averaging less than 60,000 new listings per month for the year.

"The gap between the number of unemployed and the number of advertised vacancies is still very high, but the recent six months indicate that things are slowly moving in the right direction," said Gad Levanon, a spokesman for the Conference Board.

Aside from finding a job, the most important thing to most Colorado residents is the unemployment checks that are keeping their families afloat during the recession. Last month, Colorado was among the first states in the nation to make new Emergency Unemployment Compensation payments available to those who have exhausted their regular and extended benefits. The new EUC benefits are set to expire on May 29.

Thoennes said the state paid out about \$1.8 billion in unemployment claims in 2009, including \$700 million from federal assistance funds. He said the state is currently paying out about \$20 million per week on unemployment claims.

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THE EYE

Gold party: Cash in your bling while you schmooze

Getting your friends and family together to buy reusable plastic food containers? That's a Tupperware party. Leaving a shindig without the jewelry you came with? That sounds like a robbery. Cashing in your old gold through the U.S. Postal Service? That's just plain crazy.

But what if you combined all three into one function where friends gather, hand over their unwanted lustrous allures, and leave with cash in hand? Wonder not, **Colorado Gold Party** is real.

The whole thing is simple: visit <http://coloradogoldparty.com> and request to host a party. CGP provides the invites and a CGP representative to assess the jewelry and pay everyone on the spot. Oh, and the host gets 10 percent of the night's take. Cha-ching!

Broken chains and necklaces and incomplete jewelry sets are happily accepted because CGP is only interested in the metal, which closed the first week of January at \$1,136 per ounce. Maybe you have only one earring because the other one ran off with the tie tack. And depending on the complexity, stones will be removed from settings on the spot or returned free of charge.

The Eye is thinking about hosting one of these parties, so if anyone out there has contact info for Mr. T, please send it along. No, he won't "pity the fool" who sends it in. Well, he probably won't.

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DDA hires team to lead it to downtown hotel

Goal is to identify need, location, scope of project

By Steve Porter
sporter@ncbr.com

FORT COLLINS — The Fort Collins Downtown Development Authority is working with a team of specialists in public-private partnerships to lay the groundwork for building a downtown hotel.



ROSALL

The DDA hired Nolan Rosall in December to be lead consultant in its effort to facilitate the construction of a major hotel in the downtown area. Rosall, director of Boulder-based RRC Associates, is a former planning director for the city of Boulder.

Rosall's team includes Stephen Hennis, managing director of Arvada-based Hospitium, which specializes in hospitality research; Bob Swerdling, founder of Denver-based Swerdling and Associates, specialists in public financing; Pete Dordick, a Boulder-based real estate attorney specializing in hotel consulting; and Boulder-based Coburn Development,



HENNIS

which built the DDA-assisted Penny Flats mixed commercial and residential project in downtown Fort Collins.

The DDA is paying Rosall and his team \$125,000 to take the project through its initial phase of assessing possible hotel sites and the market for a downtown hotel by potential stakeholders. The team will also assist the DDA as it negotiates with possible hotel developers.

Matt Robenalt, DDA executive director, said he's confident the team will be able to get the ball rolling within the next 60 to 90 days on finally building a major downtown hotel — a longtime DDA goal.



ROBENALT

See DDA, 13

F O C U S

McKee's new CEO feeling right at home

Marilyn Schock rose through ranks to take top spot at hospital

By Steve Porter
sporter@ncbr.com

LOVELAND — McKee Medical Center's new CEO is no stranger to what goes on within the community hospital.

Marilyn Schock, 47, assumed McKee's top position in December after beginning her medical career there in 1986 as a staff occupational therapist. For more than two decades she has served in a variety of roles at the hospital, including director of rehabilitation services and associate administrator.

When CEO Christopher Cornue announced in October that he would be leaving after less than a year to go back to his native Chicago, Schock got the nod from Phoenix-based Banner Health System — which owns McKee — to move into the top slot.

It's a position she never imagined she'd occupy. "My interest was never to be in administration," she said. "But when you can carry the voice of the bedside to the Big Table, I think it does make a difference."

Schock and fellow CEO Rick Sutton, who moved from McKee to Banner-operated North Colorado Medical Center following the departure of Gene O'Hara in 2008, were both promoted from within the local operations.

Schock said Banner is looking more to local administrators to provide local leadership. "We have a lot of qualified folks coming up through the ranks," she said. "We have what's called talent management and identifying good leaders within our organization and growing our own."

And while she's a little uncomfortable putting too much emphasis on it, Schock just may be the first female CEO of a major hospital in Northern Colorado. "Male or female, Banner as an organization has provided me with a lot of oppor-



Steve Porter, Northern Colorado Business Report

CHECKING THE CHARTS — Marilyn Schock, (right) new CEO at McKee Medical Center in Loveland, looks over patient charts with Terri Tuttle, director of McKee's ICU, telemetry unit and cardiac catheter laboratory. Schock, 47, took over as McKee's new CEO in December following the departure of Christopher Cornue.

tunities and I've been able to take advantage of that," she said.

Banner Health Western Region President Jim Ferrando said Schock, who assumed the interim CEO position following Cornue's departure, was the best candidate for the job.

"In all categories, Marilyn was deemed the top candidate, and this assessment was further validated by the outpouring of feedback that we received from many McKee stakeholders including employees, physicians and board members," Ferrando said. "We are confident that she is the right choice to lead this organization and reaffirms our commitment to growing our own leaders."

Bert Honea, M.D., McKee's chief medical officer, said Schock brings a blend of medical caregiver and administrative know-how to the CEO job.

"I think there's no question that when

you work on the clinical side of the equation you have a much better vision of the care given to the patient and the people rendering that care," he said. "I think it gives one a sense of empathy in giving care to patients as well as knowing the complexity of the administrative side in keeping the lights on."

"Having the right people in the right place at the right time — I think that describes Marilyn's opportunity," Honea said.

Biggest challenges

Schock said the biggest challenge for McKee in 2010 is to attract and retain physicians of all disciplines.

"I think the biggest challenge is to continue to work with our medical staff, that we have adequate capacity and are aligning with them as a place of choice for them

See SCHOCK, 31

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New year looks up for agribusinesses

Global market rebound holds key to good 2010

By Steve Porter
sporter@ncbr.com

With the exception of the dairy industry, 2009 was a fairly good year for Northern Colorado ranchers and farmers and 2010 is promising better days ahead if the global economy keeps improving.

Crop producers enjoyed favorable weather conditions in 2009, with sugar beet farmers reporting especially good yields. New genetically modified strains have helped beet growers conquer weeds — their constant enemy — and harvests since 2008 have been more profitable and more environmentally friendly, thanks to a reduced need for herbicides.

Jack Whittier, Colorado State University extension specialist and a faculty member of CSU's animal sciences department, said beet growers had a near-perfect growing season last year.

"It was somewhat cooler than normal with lots of rainfall," he said. "In general, it was a positive year for crops. One challenge was corn wasn't able to be harvested on time because of the wetter conditions and some of it still hasn't been harvested."

Whittier said those corn farmers should be able to harvest late corn this spring and still get a yield out of the generally hardy crop.

But the bad news in Northern Colorado in 2009 was all about low milk prices. Reduced demand, particularly for dry milk and cheese global markets, created an oversupply that made consumers happy but put some Colorado dairy producers out of business and threatened other operations. Some took advantage of several "herd retirements"



Agriculture



offered by the National Milk Producers Federation, which allowed operators to sell off their producing herds for slaughter and get some breathing room to restart with young heifers and calves when the market bounces back.

Whether more herd retirements will be offered in 2010 will depend on how long it takes for that bounce to occur, according to an NMPF spokesman.

"I think the herd retirement programs are having a positive impact and are being managed better and more effectively than earlier ones by not flooding the (beef) market and causing meat prices to go down," Whittier said.

Dairy farmers are also getting some help from the federal government. In December, the USDA announced the Dairy Economic Loss Assistance Program that authorized \$290 million in loss assistance payments to eligible dairy producers under the 2010 Agricultural Appropriations Bill.

Whittier, a cow-calf specialist, said Colorado's beef market generally did well in 2009 and he sees that continuing into 2010. "I think as the general economy strengthens, export markets for cattle will strengthen," he said.

Northern Colorado, in particular, is well-situated for cattle producers with Loveland-based Five Rivers Cattle Feeding — the nation's biggest feedlot operation — and beef production facilities in Greeley (JBS USA) and Fort Morgan (Cargill Meat Solutions).

"Having those two plants in Northern Colorado is a godsend for beef producers," he said.

JBS, which last year purchased Pilgrim's Pride, one of the nation's largest chicken producers, is poised for even greater growth in 2010.

Agribusiness suffered a huge blow when Greeley-based New Frontier Bank,

See AGRICULTURE, 29

C O R R E C T I O N S

The Dec. 18 edition of the *Business Report* reported that Brother Mel's BBQ had closed. The restaurant is open for business at 111 W. Prospect Road in Fort Collins and can be reached at 970-224-2833.

The *Business Report* will correct any errors that appear in its pages. To suggest a correction or clarification, please contact editor Kate Hawthorne at 970-221-5400, ext. 224, or e-mail her at khawthorne@ncbr.com.

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Will federal health overhaul cure or sicken?

Final version of any reform won't please anyone completely

Who's in? Who's out? Who's on first? Do we still care?

One thing's for certain right now when it comes to national health-care reform: There will be *some*. But just how much remains an uncertainty as the Senate and House work to reconcile their two reform bills and Congressional leaders posture and try to push their own agendas into the final version.



HEALTH CARE
Steve Porter

Ordinary Americans are puzzled, uncertain and angry — on both sides of the political divide — about what's about to emerge after months of debate and horse-trading to get the votes needed to get something passed.

While almost everyone seemed to agree before the debate that the nation's health-care system was broken, that's where the agreement ended.

President Obama and Congressional Democrats, desperate to push through

health reform at a moment in history when it seemed as if something could finally get done, tried but failed to get Republicans to budge in their opposition to anything that might give Democrats something to crow about in this year's mid-term elections.

And Republicans, already reeling from the punishment they took at the ballot box in 2008 after eight years of the George W. Bush administration, were in no mood to be magnanimous and fought Democrats tooth and nail on just about every aspect of reform.

The end result was an ugly, fear-mongering tirade by opponents and a completely partisan vote in both houses of Congress that was sickening to see.

Who won? That always seems to be the question the TV talking heads want to dwell on, as if health-care reform — something desperately needed by millions of Americans and thousands of small businesses increasingly unable to offer coverage to their employees — was nothing more than a game.

To get some kind of health-care reform, everyone had to "win" something and "lose" something — otherwise once known as the fine art of compromise. With the so-called "public option" virtually dead at the time of this writing and a likely mandate for everyone to have health insurance, the insurance companies certainly appear to come out as winners in a thriving new environment with millions of new policies to be sold.

"This bill is far from perfect..."

Sen. Mark Udall

On the other hand, some of the worst abuses of the system appear to have been reined in, with insurers no longer able to deny coverage based on pre-existing medical conditions or to drop those who become too expensive to cover.

Colorado's senators — both Democrats — issued statements after the Senate passed its bill on Dec. 24 admitting that health-care reform in America still hasn't reached its full potential.

"The bill is far from perfect and doesn't include everything I would like," said Sen. Mark Udall. "But it is a solid foundation that will give families the security they need to stay healthy, provide entrepreneurs the freedom to start a business and begin to rein in health-care costs and get control of our skyrocketing debt."

Sen. Michael Bennet said he was disappointed by the "special deals" in the bill and that he hoped there might still be a public option, as favored by the House version.

But Bennet said the Senate bill — and perhaps the final version signed by Obama — will make a "substantial difference" for everyone.

"This bill is about the Coloradans and all Americans who just want a decent shot at the American dream," Bennet said. "After decades of trying, we finally passed a bill that saves money, saves lives and gives families a fighting chance against relentless insurance company abuses."

Meanwhile, Colorado has taken at least one step to move forward on the issue until national reforms begin to take hold in 2011. A new law that went into effect Jan. 1 assures that preventive health-care services are provided by insurance companies in the state regardless of whether their policyholders have met their deductibles or not.

Those services include screenings for breast, cervical and colorectal cancer, cholesterol levels, childhood immunizations, flu vaccines and programs to help manage alcohol abuse and quit smoking.

The bill creating the law was a bipartisan effort that included Democratic and Republican sponsors.

If only that kind of spirit of compromise — with a focus on the common good — could have been seen in the national health-care reform debate.

Steve Porter covers health care for the Northern Colorado Business Report. He can be reached at 970-221-5400, ext. 225 or at porter@ncbr.com.

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Health-care prognosis cloudy in 2010

Economy, federal reform efforts to drive local change

By Steve Porter
sporter@ncbr.com

With a final national reform plan still a moving target, trying to predict how Northern Colorado health care will look in 2010 is a highly speculative exercise.

"To be perfectly honest, I don't know what's going to happen," said Rick Sutton, CEO of North Colorado Medical Center in Greeley. "We just don't know what's truly going to come out."

Democratic Congressional leaders were still hammering out the details on Jan. 7, trying to reconcile differences in Senate and House-passed versions into a final bill that could be signed by President Barack Obama by the end of the month.

Some things seem apparent: More people will eventually be insured under the plan, although millions still won't be, thanks to the deal-making needed to secure the 60 Senate votes required to pass a Democrat-sponsored bill without a potentially fatal Republican filibuster.

And insurance companies appear to be coming out of the reform effort with the prospect of raking in even greater profits by providing mandated coverage.

But what will be the effect on local hospitals and care providers? Sutton, who became CEO at NCMC in 2008 after serving three years in the same post at McKee Medical Center in Loveland, isn't sure how — or when — the impact will be felt.

"You may have a few more people insured. But we don't discriminate on being able to pay and will continue treating those who have no insurance or who are underinsured," he said. "I don't think the volume is going to change as much as the payer mix."

Northern Colorado is home to two large health-care systems — Fort Collins-based Poudre Valley Health System, which owns and operates Poudre Valley Hospital in Fort Collins and Medical Center of the Rockies in Loveland; and Phoenix-based Banner Health, which owns McKee Medical Center and operates NCMC.

Several local physician and specialty care groups are aligned with one or the other, while some independent providers operate without an exclusive affiliation with either.



SUTTON



Health care



Sutton said one thing that will no doubt continue — and likely increase due to higher patient loads from expanded coverage — is the ongoing competition between the two systems for physicians.

"You've got to have providers to treat all these people, and we've got to find the providers to do that," he said.

So far, both systems have been able to recruit the doctors and other medical providers needed to maintain high quality health care. "For both systems, we're lucky in Northern Colorado in attracting physicians because it is an attractive area," Sutton said.

In part due to the down economy, Sutton said there are no plans in 2010 for any major capital construction projects for the two Banner facilities, nor have any been announced by PVHS, which is currently working on a strategic vision to guide it through 2025.

Last year, PVHS built a new 700-stall parking garage across the street from

Poudre Valley Hospital. NCMC completed a major expansion of its burn unit and opened new endoscopy and endovascular units, while McKee invested in new technology including a new robotic surgery system.

"Are we going to be doing any \$50 million projects this year? No," said Sutton. "But you spend \$3 million here and \$4 million there and that's quite a bit of money."

While both systems have flirted with the idea of collaborating more with each other to save money and reduce duplication of services and have done so in some instances — such as sharing air rescue transportation — Sutton said he believes a continuing competitive spirit between the two is best for local residents.

"Having two strong systems in a somewhat competitive environment does nothing but drive quality, making both razor sharp in what they're doing and that's a benefit for Northern Colorado," he said.

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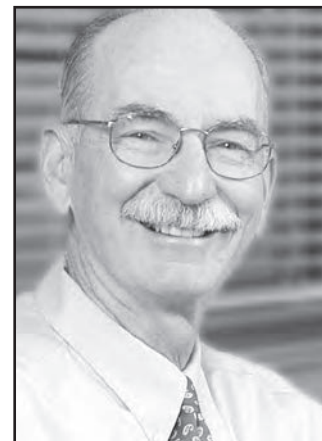
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Multifamily/Investment Residential: 1,216 Loans, \$200 Million

Retail/Mixed Use: 45 Loans, \$40 Million

Office Buildings: 78 Loans, \$56 Million

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CRE sector expected to hit bottom in 2010

Valuation to be core issue for NoCo owners

By **Kristen Tatti**
ktatti@ncbr.com

Commercial real estate will be hit from several sides during 2010, as tenants struggle, financial intuitions flush their portfolios and property values drop from record highs just a few years ago. A report from the Urban Land Institute and PricewaterhouseCoopers forecasts that the sector will hit bottom in 2010.



Commercial Real Estate

Valuation issues will continue to plague Northern Colorado, as deals that weren't too highly leveraged several years ago will see their debt-to-equity levels narrow.

Since 2005, commercial real estate and land construction and development loans at locally based banks increased more than 40 percent to their peak levels. During the same period, properties held on bank books due to foreclosure increased 964 percent.

A typical commercial real estate loan — if such a thing exists — carries a five-year maturity, and many loans made during the building boom are coming due soon. The foreclosure proceeding initiated on the Promenade Shops at Centerra in November was a result of a matured loan that could not be refinanced.

The ULI report points to banks beginning writedowns, debt restructuring and foreclosures in earnest during 2010. Additionally, federal bank regulators will be pushing out properties collected as part of bank failures. The impact will be a thaw in the transactions freeze coupled with a 40 percent to 50 percent decline in values from 2007 peaks.

Mark Bradley, a Realtec broker focused on Greeley, said that a recovery will not occur until values are allowed to deflate to market levels. This might take longer with government programs artificially pumping funds into various sectors. He feels that local commercial property owners are adjusting, though.

"Owners are realizing that they can't hold current values to (what they were) a couple of years ago," he said.

A year of declining occupancy helped push owners into reality.

"Vacancy rates (in Greeley) increased every quarter last year in all sectors," Bradley said. From the first quarter to the fourth quarter, vacancies rose from 9.7 percent to 10 percent in the industrial market, from 16.6 percent to 19.8 percent in the office market and from 14.6 percent to 15.6 percent in retail.

"The good news is there has been a stoppage in most construction," Bradley said. "There's no speculative construction going on."

As businesses ease out of wait-and-see and into expansion mode, vacancy rates will decline as no new inventory is



"There's no speculative construction going on."

Mark Bradley, broker
Realtec

being added. Bradley feels that vacancy rates in Greeley will start to decline in the second half of the year.

Virtual construction halt

Commercial construction has come to a virtual halt throughout the region. The city of Loveland recorded eight new commercial building permits for the last six months of 2009, down from 15 for the same period in 2008 and 22 in 2007. In Fort Collins, new commercial building permits stood at five for the last half of 2009, down from 11 in 2008 and 33 in 2007.

Even with developers on extended sabbaticals from building, property owners are still contending with struggling tenants.

"It would be hard to see any upside to (retail shopping centers)," said Allen Ginsborg, managing director and principal for NewMark Merrill Mountain States. "We definitely expect more tenant failures."

However, he expects the Colorado properties to fare better than NewMark's other markets — California and Illinois.

"The Colorado market isn't as challenging, right now," Ginsborg said. He is seeing stronger occupancy rates in Fort Collins, Westminster and Broomfield.

Ginsborg points out that the commercial market holds opportunities for a fortunate few. Investors with cash are finding screaming deals, but it is still a high-risk business. NewMark Merrill isn't finding a lot of investment competition yet, according to Ginsborg. He explained that the company is focused on investing only where it knows the market well, based on 27 years of experience.

Tenants also stand to gain from the commercial real estate sector woes. Ginsborg said the perception that it is a tenant's market in general doesn't necessarily hold water for retail. Retail is very location-specific, so centers in high-traffic areas are maintaining lease rates better than others. NewMark's Fort Collins Marketplace, at College Avenue and Horsetooth Road, has seen double-digit revenue growth over the past three years.

In general, 2010 promises to usher in a new era in commercial real estate. Developments that do get off the ground will likely do so through partnerships with various entities as traditional financing options remain, for the most part, unattainable.

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Residential real estate market breathing again

Tax credits seen as needed boost for regional home sales

By Steve Porter
sporter@ncbr.com

In a time of ongoing economic uncertainty, one bright spot continuing into early 2010 has been a rebound in the Northern Colorado residential real estate market.



Residential Real Estate

Home sales — especially those in the \$250,000-and-under range — picked up noticeably in 2009 after the financial meltdown in late 2008. Contributing strongly to the uptick was an \$8,000 federal tax credit for first-time homebuyers. Originally scheduled to run out in late 2009, it was extended and expanded by Congress because of its popularity with homebuyers and sellers.

The program now also offers a \$6,500 tax credit to homeowners who have lived in their current home for at least five years who want to sell. To qualify, homebuyers must sign a purchase agreement by April 30.

“We saw about nine months of increasing pending home sales (in

“I think there’s a cautious optimism out there.”

Sarah Bennett, president
Fort Collins Board of Realtors

2009),” said Sarah Bennett, president of the Fort Collins Area Board of Realtors. “I think the tax credit was just a huge incentive and impetus last year.”

Bennett said expanding the federal tax credit should open up new avenues of growth in residential real estate. “The move-up buyers weren’t vacating to allow new homebuyers into the market,” she said. “I think it’s going to be favorable. The (real estate) agents are hopeful and I think there’s a cautious optimism out there.”

Skyrocketing numbers of home foreclosures — especially in Weld County — over the last few years have put lots of incredible deals on the market for those lucky enough to have good credit and a stable income.

While losing a home to foreclosure is

a tragedy for those affected, the shake-up in the housing market has had some positive effects, Bennett noted.

“Overall, the foreclosures have given people more opportunities to get into the market and forced sellers to make sure their homes are priced appropriately,” she said.

Unfortunately, more foreclosures in Northern Colorado are expected in 2010, as additional job losses and poorly made loans intersect before the economy fully recovers.

Bennett said the real estate community has been trying to help homeowners avoid foreclosure through short sales, in which homes are sold for less than what’s owed on the mortgage. But she said some lenders are making that difficult.

“Now we’re saddled with delays in negotiating short sales,” she said. “Lenders are letting (homes) go to foreclosure instead of short sale. It’s very frustrating.”

But Bennett notes that, in general, the outlook for getting a home loan seems to

be brighter. “Right now it’s pretty much by the book,” she said. “I’ve heard of people who should be able to get financing who can’t get financing. But I think recently there’s been a little more room to maneuver.”

Another hopeful indicator for 2010 home sales is a continuing near-record-low mortgage rate. The average 30-year fixed mortgage rate started the year at 5.26 percent. Bennett said she expects that to rise during the first half of 2010 and perhaps hit 6 percent by June.

“We’ll have to wait and see,” she said. “But 6 percent is still a historically low rate.”

Mortgage rates started the year with a dip that broke a streak of five weekly increases through December. On the national level, both home prices and home sales were rising as 2009 ended. But pending sales slid in November, giving rise to speculation that, without federal tax credits propping it up, the residential market is still in a very fragile recovery mode as 2010 unfolds.



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4	RBC WEALTH MANAGEMENT 155 E. Boardwalk Drive, Suite 310 Fort Collins, CO 80525 970-206-1174/970-206-1464	\$492,226,312 \$164,300,000,000	13/563 42/209	8 3 0	RBC Wealth Management (a wholly owned subsidiary of the Royal Bank of Canada) (RY: TSX, NYSE) Minneapolis	Michael.Trinen@rbc.com www.rbc.com	Mike Trinen Branch director 1909
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Based upon responses to Business Report survey researched by Noelle Maestas To be considered for future lists, e-mail research@ncbr.com

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Venture capital dries up as fewer firms raise cash

Consolidation will hit startups needing funds

Just as established businesses continue to see tight credit from lenders, startup and early-stage companies also face a tough year landing venture capital.

Venture capitalists roundly agree that the industry is going to see contraction. A National Venture Capital Association survey of more than 300 VCs showed that 90 percent of respondents predicted the number of firms will decline during the next five years. Of those expecting a contraction, 72 percent believe the decline will be between 1 percent and 30 percent.

"The consolidation of the venture industry will not occur overnight," said NVCA President Mark Heesen. "This process will be a gradual one as fewer firms than has been the case historically will be able to raise funds. Those funds that are raised will generally be smaller and over time, the firms will contract accordingly. Venture capitalists will have to do more with less."

Access to capital, a difficulty in every industry right now, is already squeezing the smaller VC firms, according to Dave Dwyer, general partner at Vista Ventures. Vista maintains offices in Boulder and Fort Collins and focuses on investing in early- and development-stage companies. Dwyer pointed out that the top 10 to 15 VC firms in the country seem to be raising capital, but that's about it.

"It's very difficult to raise money at this time," Dwyer said, adding that it will likely be difficult for at least 18 months.

Institutional investors, which typically pump big bucks into the VC mar-

ket, have cut back. Dwyer explained that as those investors' stock investments have taken a hit, their venture investments become a larger percentage of the total portfolio. Because venture investment is in a higher risk class, few are interested in increasing the weight of their portfolios in that category.

Many venture capitalists are focused on having capital to support existing portfolio companies as necessary in the tough economic climate.

"We're in a stage in our fund that we're growing the firms in our portfolio," Dwyer explained. "I think that's typical of most Colorado venture funds."

Shake the MoneyTree

The NCVA works with PricewaterhouseCoopers to publish the MoneyTree Report — a quarterly publication tracking VC investments. Third-quarter VC funding was \$4.8 billion nationally, up from \$3.3 billion in the second quarter, but down from third-quarter 2008's \$7.16 billion. For the third quarter, Colorado-based companies landed \$50.3 million in 13 venture capital deals. That's down from \$201 million in 27 deals during the third quarter of 2008.

The third-quarter report also found that companies receiving first-time financing were seeing smaller investments. The overall number of first-time deals was flat at 155, but the total dollars invested was down 20 percent to \$633 million. It was the lowest dollar level since the survey started in 1995.

Early-stage companies might have a hard time finding other sources of capital, too.

"The availability of angel capital seems to have declined," Dwyer said.

He pointed out that angel investors, just like institutional investors, have taken a hit to their portfolios in the past year making them risk averse. Dwyer is hopeful that Colorado's new tax credit will prove useful in what promises to be a difficult year. House Bill 1105, passed last year effective Jan. 1, provides tax credits to individual investors who help fund startup companies.

The difficulties in the capital mar-

See VENTURE, 30



BANKING
Kristen Tatti

As go real estate loans, so goes banking activity

Regulatory changes, possible Fed interest rate hikes on radar

By **Kristen Tatti**
ktatti@ncbr.com



Banking

The banking industry spent much of 2009 cleaning house, a trend that is likely to continue in the coming year.

The biggest question going into 2010, according to Pat Brady, president of FirstBank of Northern Colorado, is how bad commercial real estate will be. Rental rates are being squeezed and, as loans come due, appraisals are revealing substantial declines in equity.

"(The commercial real estate) shoe dropped, and it's still dropping but at a more steady rate," Brady said. "It's the million-dollar question for 2010."

Brady points out that borrowers who took out commercial loans in the midst of the building boom — around 2006 and 2007 — will soon be faced with finding new financing at a time when many banks are looking to reduce their CRE portfolios.

Nationally, loan balances declined for a fifth consecutive quarter. Total loan and lease balances declined by \$210 billion, or 2.8 percent, during the third quarter. It was the largest percentage decline in loan balances since 1984, when federal regulators began collecting the data.

The FDIC pointed out that large banking organizations — those with over \$100 billion in total assets — accounted for three quarters of the total decline while only holding 56 percent of all industry loans. Northern Colorado-based banks reduced all real estate loans by \$190 million, or 4 percent, from the start of the year through the third quarter.

Not all banks are shedding loans, though.

FirstBank of Northern Colorado increased its loan portfolio in all sectors throughout the year. All real estate loans increased 19 percent through the third quarter — the bulk of which were in the



residential segment. Brady said that the bank will continue to lend to the same standards it has used for years.

"We'll grow our loans and deposits within reason but not strip our capital," he said.

For the industry, in general, deteriorating loan quality has put stress on capital levels. In all of 2009, 140 banks failed, 95 of those in the second half of the year. Nationally, loan loss provisions for the third quarter were \$62.5 billion, more than \$11 billion higher than a year earlier. It was the fourth quarter in a row that provisions exceeded \$60 billion, and almost two out of three institutions increased their loss provisions from a year earlier.

In Northern Colorado, loan quality continued to deteriorate throughout 2009, setting up 2010 for potential charge-offs. Assets in nonaccrual status increased from \$146.8 million at the start of 2009 to \$305 million in the third quarter. Assets heading to nonaccrual — those 90 days or more past due — saw a similarly large increase, up to \$40.4 million from \$15.2 million.

While large institutions took the early brunt of the financial fallout in 2008, community banks stand to take the biggest hit from soured commercial real estate loans. At the end of the third quarter there were 552 "problem" banks on the FDIC's radar, up from 416 at the end of the prior quarter, most smaller institutions stressed by commercial real estate.

Community banks are also trying to adjust to sweeping changes in regulation that have passed or are pending.

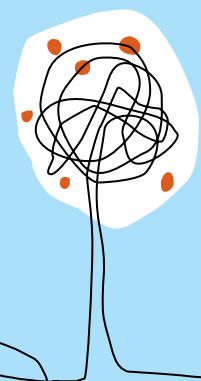
"The community banking industry is not planning on forwarding any major legislation in 2010," said Barbara Walker, executive director of Independent Bankers of Colorado, in an e-mail interview. "Rather, we expect to play defense on any ill-conceived legislation to fix what is not broken, against added regu-

See BANKING, 30

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16	BANK OF COLORADO 1041 Main St. Windsor, CO 80550 970-686-7631/970-686-9246	\$103,902,000 \$102,199,000	Fort Collins NM	Tom.prenger@bankofcolorado.com www.bankofcolorado.com	Tom Prenger, Branch president
17	BANK OF COLORADO 111 S. Rollie Ave. Fort Lupton, CO 80621 303-857-3400/303-857-3401	\$102,152,000 \$84,081,000	Fort Collins NM	N/A www.bankofcolorado.com	Tom Goding, President
18	JPMORGAN CHASE BANK, NATIONAL ASSOCIATION 200 E. 7th St. Loveland, CO 80537 970-622-7444/N/A	\$99,601,000 \$101,824,000	Columbus N	N/A www.jpmorganchase.com	Shirlie Chroury, Branch manager
19	FIRST NATIONAL BANK 4603 S. Timberline Road Fort Collins, CO 80528 970-495-9450/N/A	\$77,184,000 \$74,254,000	Fort Collins SM	N/A www.1stnationalbank.com	Jane Sharp, Branch manager
20	FIRSTBANK OF ADAMS COUNTY 410 E. Bromley Lane Brighton, CO 80601 720-685-3300/N/A	\$71,903,000 \$45,797,000	Thornton NM	N/A www.1stbank.com	Bob Beuschle, Branch manager
21	WACHOVIA 4635 Centerplace Drive Greeley, CO 80634 970-330-2946/970-515-0112	\$70,261,000 \$68,677,000	Charlotte, NC SA	N/A www.wachovia.com	Herbert Sandler, CEO
22	VALLEY BANK AND TRUST 30 North 4th Ave. Brighton, CO 80601 303-655-4491/N/A	\$69,363,000 N/A	Brighton NM	N/A www.valleybankandtrust.com	Donna J O'Dell Petrocco, Branch and facility manager
23	FARMERS BANK 713 S. Lemay Ave. Fort Collins, CO 80524 970-221-2020/970-834-1862	\$69,120,000 \$50,823,000	Ault SM	info@farmersbank-weld.com www.farmersbank-weld.com	Fred J. Bauer, Branch manager

Source: FDIC Weld and Larimer counties and Brighton as of 6/30/09 N-commercial bank, national charter and Fed member SM-commercial bank, national state charter and Fed member NM-commercial bank, national state charter and Fed nonmember SA-savings association, state or federal charter N/A-Not Available

Based upon responses to Business Report survey researched by Noelle Maestas To be considered for future lists, e-mail research@ncbr.com

(1) Result of September 2008 merger of Bank of Choice and Bank of Choice Colorado

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“We’ll always be keeping in mind that the benefit is for the entire community.”

Nolan Rosall, director
RRC Associates

DDA, from 3

“When we did the interviews it was very clear to us that the selection encompassed a broad range of specialties,” Robenalt said. “We ended up with a very well-rounded team that can advise us on every phase of building a public-private partnership and a hotel project.”

Entire community benefit

Rosall, who was planning director in Boulder when hotels were built in that city’s downtown, said the goal of the team will be to go beyond simply identifying a developer. “We recognize the challenge is not to just find a good hotel but a good catalyst for the entire downtown that can support all the other businesses downtown,” he said. “We’ll always be keeping in mind that the benefit is for the entire community.”

Swerdling, formerly a municipal analyst for Standard and Poor’s, has provided services to municipal clients for more than 15 years and helped finance more than \$4 billion for state and local government projects. Swerdling said he was involved in providing financing for construction of the Denver Hyatt Regency and for other hotel projects in Omaha, Neb. and Bay City, Mich.

Swerdling said he’s happy to be part of the Fort Collins DDA effort. “This is probably the best team I’ve ever seen assembled, and I’ve been doing this for 12 years,” he said. “I’ve worked for communities that waited 15 to 18 years to get a hotel. That’s why having a multidisciplinary team from the outset is so good.”

Hennis, who founded Hospitium four years ago, said his task will be to focus on market analysis and feasibility, keeping in mind the overall local hotel market. “Our objective is not to just build another hotel and further saturate the market,” he said.

Dordick, an attorney specializing in hotel real estate, will help the team with legal advice and Coburn Development was brought in to advise on construction issues.

“We felt their knowledge of putting together a DDA project was invaluable,” Rosall said.

Second attempt

The team represents the second attempt by the DDA in recent years to push forward a major downtown hotel. In late 2008, a plan to raze the Elks Lodge at Remington and Oak streets stalled when the national economy forced development partner Corporex Cos., based in Kentucky, to pull out of the project.

The DDA purchased the Elks Lodge site for \$3 million and intends to clear it this spring. But the site, while still under consideration, is constrained by its size and probably not big enough for a possible 150-plus room hotel and the required parking space.

At least five potential sites had been identified by the end of 2009, and other landowners — who wish to remain

anonymous at this point — have also contacted the DDA, Robenalt said.

Rosall said he expects others will come forward as the process begins to take on a wider public awareness. “There may be others that come along,” he said. “But all sites are not equal. We have to evaluate if it’s big enough to fit the program, how close it is to restaurants and other amenities, and that kind of thing.”

Rosall said the team will be meeting with likely hotel users, such as Colorado State University, local service clubs and others, to help assess the need for meeting space.

Rosall said he expects to hold a series of meetings with potential user groups over the next two to three months to determine some basic parameters. “We need to see what the opportunities really are so we can get our arms around it,” he said.

Swerdling said that portion of the process is fundamental to moving the

project forward at any particular site. “At this point in the process we don’t really know what the community goals are,” he said. “First we need to define the goals, then the project and then the site.”

Debt market key

Hennis also noted that the condition of debt markets “has huge implications on the ability to get a project going,” and whether the project goes forward with or without public assistance.

Robenalt agreed. “The major pitfall for Corporex was the financial markets,” he said.

Josh Birks, economic advisor for the city of Fort Collins, said he thinks the DDA has assembled a good team for laying the hotel groundwork.

“I think we’re going into this with a team that feels this needs to be an open process with no preconceived notions,” Birks said. “Everything’s pretty much on

the table at this point.”

Rosall said any new downtown hotel is at least two to three years away from welcoming its first guest. But Swerdling offered a ray of hope in what has been a very dark financing era.

“I can tell you that the financing situation now is better than it was six months ago,” he said.

Robenalt said financing conditions and market opportunities will likely drive when a downtown hotel is built, but added it will also depend on “the willingness of the public parties and whatever private parties in terms of what they can collectively achieve together.”

“The DDA has a considerable amount of experience in doing public-private partnerships, but the hospitality industry is very specialized and we haven’t succeeded in doing that,” he added. “But this team adds to our toolbox in getting that accomplished.”



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- 2006 Kevin Brinkman
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Optibrand Ltd, LLC
Ralph V. Switzer
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Kristi Johnson
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March 10, 2010

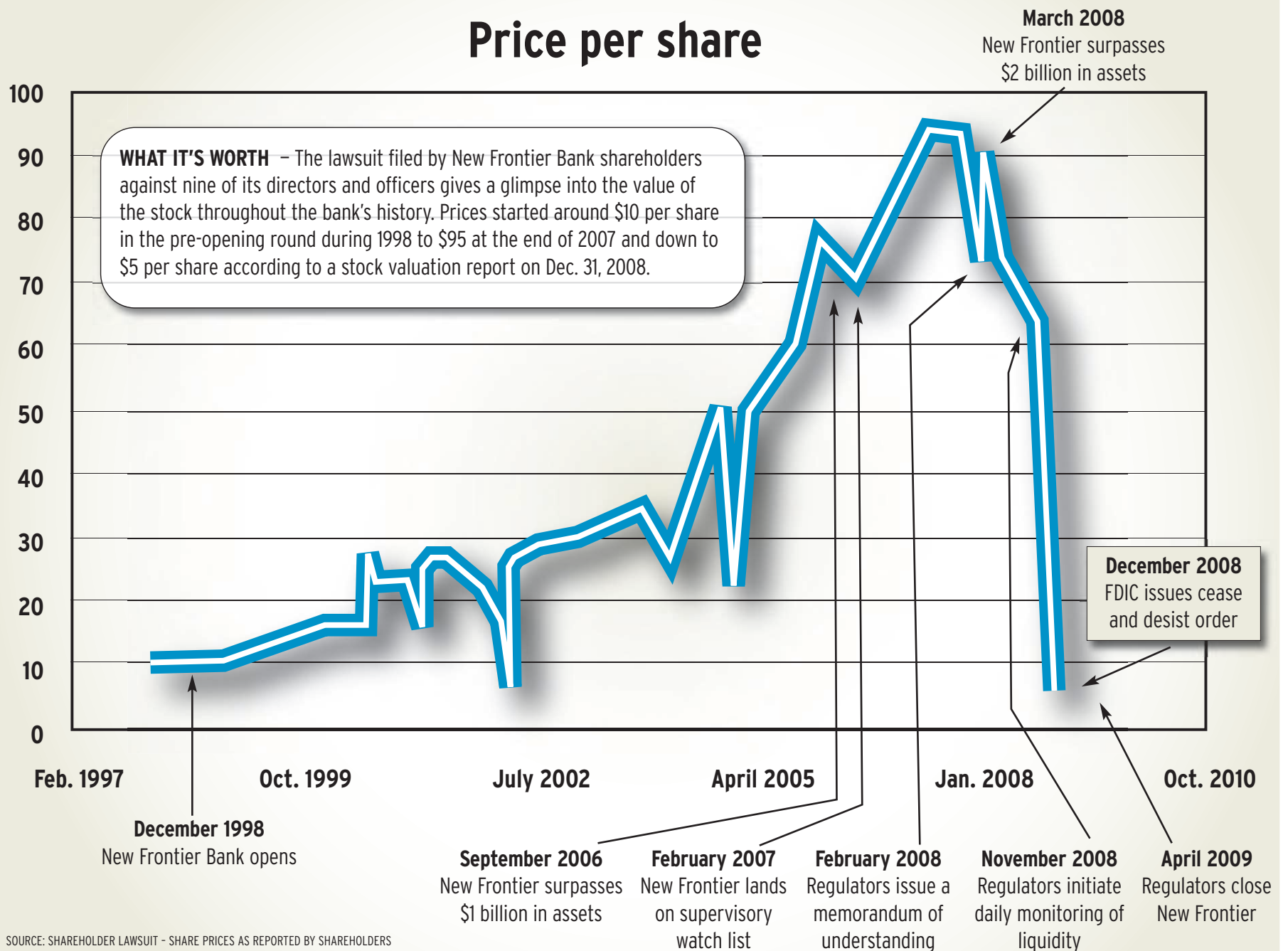
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Price per share



NFB, from 1

the bank's failure, by:

- Extending as many loans as possible;
- Permitting and sometimes participating in lending transactions meant to circumvent federal lending limits;
- Focusing on a growth strategy that led to concentrations in specific industries and that required non-core funding;
- Encouraging an internal social policy in which the defendants and their affiliates contracted or dealt with the bank at below-market rates.

Peter G. Koclanes, attorney at Sherman & Howard LLC, is representing defendants Thissen, Seastrom, Brunner, Kammeier and Renfroe. He declined to elaborate on any particular allegations.

"We can't comment other than to say that the allegations are false, and we will address them in due course," he said.

Complaints and counterclaims

The lawsuit cites a complaint filed in February 2009 by New Frontier borrower John Johnson and his business, Johnson Dairy, as an example of circumvention of lending limits. To date, no judicial decision has been made on the Johnson Dairy complaint, but several counterclaims and a third-party complaint have also been filed. In December, a motion to dismiss claims on both sides was filed in light of a settlement agreement between Johnson and most of the defendants. An inquiry to Johnson's attorney about the status of the case was

not returned in time for publication.

The shareholder suit also cites the material loss review from the Inspector General's Office of the Federal Deposit Insurance Corp., which was the regulator responsible for overseeing New Frontier's operations and which took the bank into receivership. The review specifically refers to failures by the bank's management:

"New Frontier failed because its board and management did not implement adequate risk management practices pertaining to rapid growth and significant concentrations of ADC (acquisition, development and construction) and agricultural loans, loan underwriting and credit administration, and heavy reliance on non-core funding sources."

The report also reveals that examiners expressed concern regarding the bank's rapid growth in the years before the failure. From 2005 to 2006, New Frontier nearly doubled its assets and passed the \$1 billion mark. By the end of 2008, it had reached \$2 billion. Examiners at the state and federal level expressed concern about New Frontier as early as 2004. Each report of examination issued to New Frontier from 2004 through 2006 reiterated the concern, and in November 2006 the bank's management was "reminded of the importance of sound loan underwriting and credit administration."

"In retrospect, a stronger supervisory response at earlier examinations may have been prudent in light of the extent and nature of the risks and the institution's lack of adequate or timely corrective action," the Inspector General reported. "Stronger supervisory action may have influenced New Frontier's board and management to constrain

their excessive risk-taking during the institution's rapid growth period."

Chuck Brega, the attorney for the shareholders, said his law firm investigated the shareholders' case for several months. It is not a class-action suit because, according to Brega, limiting the number of plaintiffs will keep the case simple. It could also protect the potential recovery.

In some shareholder cases, the suit is filed on behalf of the corporation against the directors; these are called derivative lawsuits. In a derivative lawsuit, a trustee would have first right to recovery in order to distribute it, with expenses and creditors paid before shareholders. However, Brega pointed out, this case involves individual claims, and the FDIC, as trustee, would not likely have a claim to the recovery.

"You can never discount what an agency may try to do," he acknowledged.

Precedent-setting case?

The shareholder suit is in early stages, with the defendants only recently served. Brega said that a more in-depth discovery process, including depositions, will begin after the defendants are given a chance to respond.

If the case advances to trial, it could help define a seemingly gray area in Colorado law. In cases involving director liability, there is a standard of care applied — simple versus gross negligence. Mark Lowenstein, a professor of commercial law at the University of Colorado Law School, explained that simple negligence often applies in cases where a director might not take proper precautions or behave reasonably but

not in a willful manner — due to lack of knowledge, for example. Gross negligence is harder to define, Lowenstein said. It typically involves a conscious and voluntary disregard for directorial duties.

In Colorado, the standard of care for director liability is gross negligence. However, there is an argument that directors of financial institutions should be held to a higher standard, a distinction that has been set out in many states. In Colorado the difference is still fuzzy.

"The law is a little undefined," Lowenstein said.

In a 1998 legal newsletter, Lowenstein detailed the lack of precedent. In the 1962 case of *Holland v. American Founders Life Insurance Co.*, the court ruling made a distinction between directors at business corporations and directors of financial institutions:

"The directors of a business corporation other than a bank are not held responsible for mere errors of judgment or for want of prudence short of clear and gross negligence," the judge ruled.

The other case of bank director liability in Colorado was *Resolution Trust Corp. v. Heiserman* in 1993. According to Lowenstein's article, the case pointed to broad issues of negligence rather than a single or series of specific decisions. In that case, the court cited the Colorado Corporate Code in finding the directors liable of negligence. While the code addresses the issue of common-law negligence, it does not distinguish between directors at banks or at business corporations, Lowenstein pointed out.

"I don't think it's a well-established doctrine," Lowenstein said.



COLUMNS



2009 could be recession trough

But rising interest rates could result in '11 double dip
Page 16



Rejuvenate your business spirit

Take stock of 2009 and get ready to go for incredible year
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ETC.

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Region's largest

Financial advisers

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Bank branch locations

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Lenk engages students in business

Lessons from worlds of accounting, CIS reflect market reality

By Kay Rios
news@ncbr.com

Margarita Lenk, Ph.D., may not think of herself as a teaching superstar, but her achievements make that an apt description.

Most recently, Lenk, an associate professor in the Colorado State University departments of Accounting and Computer Information Systems within the College of Business, received the CSU Board of Governors 2009 Excellence in Undergraduate Teaching Award in May.

She has been also been recognized as Outstanding Accounting Professor in Colorado by the Colorado Society of CPAs; Outstanding Educator by the Artificial Intelligence Section of the American Accounting Association; and National Engaged Scholar by Campus Compact. She holds CSU's Jack E. Cermak Outstanding Advising Award; the Excellence in Service-Learning Instruction Award; and, from the

CSU Alumni Association, the Distinguished Faculty Award, as well as the College of Business' Excellence in Service Award, Professor of the Year and the Excellence in Teaching Award.

As if that's not enough, Lenk's success in recruiting minority students led to an Outstanding Service Award for Enhancing Minorities in the Accounting Profession from the American Accounting Association. She has recruited and coached students for the Association of Latino Professionals in Finance and Accounting national case competitions sponsored by international accounting firm KPMG, which also provided her a grant to develop and deliver a diversity initiative.

All in a day's work. Or so Lenk would make it seem. "I just have an incredible curiosity," she said. "If I see a problem, I want to solve it."

That takes her in many directions. "Some would say I lack focus," she admits.

As an associate professor, she teaches a mix of undergrad and graduate courses each semester, researches and does in-service work as well. Given the rankings from course evaluations, she's certainly a popular instructor, but don't count on that "A" for

See LENK, 30



Courtesy Colorado State University

EXCELLENT TEACHER – Margarita Lenk, Ph.D., received the 2009 Excellence in Undergraduate Teaching Award from the Colorado State University Board of Governors for her work as an associate professor of accounting and computer information systems in the College of Business.

Resolve to thrive in the coming year



PRACTICING INNOVATION

Shirley Esterly

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As we bid farewell to 2009, a year of challenges and uncertainty, we face decisions about how to take control of our destiny in the new economy. What can we do in 2010 to make a fresh start and increase our control of outcomes, while accepting that many things are still up in the air?

I have three solid resolutions for your consideration. Stated simply they are: redefine growth, redefine innovation, and define sustainability.

First, how will growth happen in 2010? How will our

resource-constrained businesses thrive and create a positive future?

What is your definition of innovation? Can innovation be done without spending additional money? Have you looked realistically at your organization to determine how the changes in 2009 affected processes, resources and capacity? How can innovation improve your ability to respond to disruptive change?

Finally, how will your business thrive going forward in uncertain times? How will you keep up competitively? How will you bear the weight and keep going? How will you maintain, encourage and confirm your value to customers? These questions come from dictionary definitions of "sustainability." It is a word that is being overused;

See INNOVATION, 31

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INDEX OF LEADING ECONOMIC INDICATORS

2009 could prove to be trough of recession

But rising interest rates could result in '11 double dip

The Northern Colorado Business Report Index of Leading Indicators continues its decline but, as I said last quarter, I think December 2009 data will be better than December 2008. The annual growth rate in November, the last month for which complete data is available, was 0.03 percent, just barely positive. Since December 2008 was such a weak month in the Northern Colorado economy, I think December 2009 will be better.

The last four years has each shown a weaker Northern Colorado economy than the year before; 2005 was the peak of the last expansion and I think 2009 will be the trough of the current recession. Recovery, however, will be slow and I expect it will take longer than four years for the Northern Colorado Index of Economic Growth to get back to the peak reached in both 2004 and 2005. However, a double-dip recession cannot be ruled out as interest rates increase.

I think the U.S. recession ended in August, although it will be several months before an official announcement will be made. I've said before that it will take until 2014 for the Dow Jones Industrials to get back to the 14,164 peak of 2007. I think that it will be 2016 before the Northern Colorado Index of Economic Growth gets back to 360, 11 years after it peaked in 2005. The inflated asset values of 2005 will take that long to recover after the housing/mortgage deflation of this recession.

It is still possible that we will have a significant double-dip recession starting in late 2010 or early 2011 as interest rates rise to finance government debt. China has not purchased significant amounts of government securities since early summer and other countries are focusing on stimulating their own economies. That leaves U.S. citizens to buy the bulk of Treasury issues used to



ECONOMIC INDICATORS

John W. Green, Ph.D.
Regional Economist

finance deficit spending. When the Federal Reserve begins to withdraw its monetary stimulus, the pressure on interest rates will be even greater.

Employment

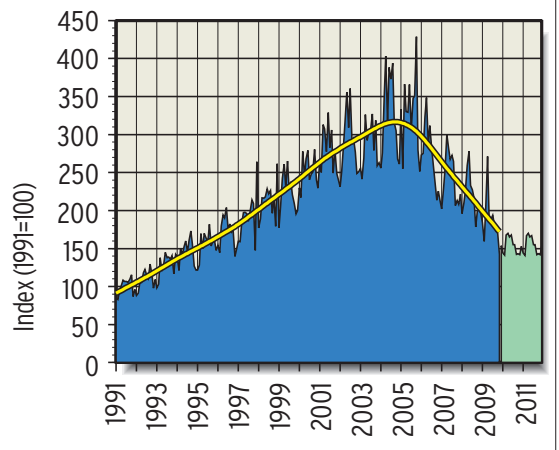
Employment in Northern Colorado has dropped over 5 percent from its 2008 peak. It has fluctuated between 275,000 and 278,000 for most of 2009. I expect this floor to hold for most of 2010 with, perhaps, an increase by the end of the year. The unemployment rate is likely to remain in the 6.5 percent to 7.5 percent range unless discouraged workers start dropping out of the workforce, then it will go up. Nationally, the discouraged workers' unemployment rate is 17.3 percent while the announced unemployment rate remains at 10 percent.

Construction

I think the construction industry has bottomed, although November data was very weak, dropping, in real terms, below late 1980s levels. Construction, in

Growth Index

The index has leveled out and should increase over the next two years.



November, added about \$30 million to Northern Colorado Gross Regional Product, about one-eighth its 2004 peak.

The harsh winter weather we have had so far has further discouraged single-family home construction. The issuance of home construction permits is on par with late 1980s activity. With

See INDICATORS, 17

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INDICATORS, from 16

government stimulus, houses priced under \$280,000 are selling but there is a large inventory of unsold homes at prices greater than \$300,000. The peak value of single-family home permits issued in 2004-05 was 40 times greater than in November.

Vehicle registrations, retail sales

Total motor vehicle registrations have leveled off, suggesting that the inventory is no longer expanding. We are in a situation where some business and personal vehicles are no longer being registered and active vehicles are replaced only when absolutely necessary.

New and renewed sales tax accounts in Northern Colorado are still dropping as more and more businesses close their doors and retail entrepreneurs refuse to invest in the declining economy. This situation will not reverse until there are clear signs that the economy is improving and new jobs are being added.

The value of retail sales will be down about 15 percent in 2009 from 2007-08 levels. This is the first dip in retail sales since at least the early 1980s. There will be no improvement until consumer sentiment improves and their spending resumes.

Foreclosures, bankruptcies

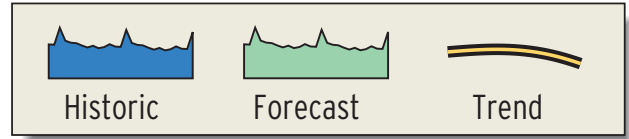
Foreclosures and bankruptcies have taken a holiday vacation as banks have eased off on the pressure on delinquent payments. I expect a resumption of this pressure in late January and February; there are still a lot of foreclosures hanging over the housing market. There will be no significant recovery in the housing market in 2010.

I think we can, at least for the next six to nine months, take our hands off the top of our heads to protect against falling debris from the economy, but we should hunker down and put our arms around our shoulders to minimize our exposure to current economic conditions. The first half of 2010 will be a respite from recent bad news but the end of 2010 might bring renewed downward pressures, depending on how adroitly the Fed handles monetary stimulus withdrawal and how successful the Treasury is in selling its securities to foreign investors.

John W. Green is a regional economist who compiles the Northern Colorado Business Report's Index of Leading Economic Indicators. He can be reached at jwgreen@frii.com.

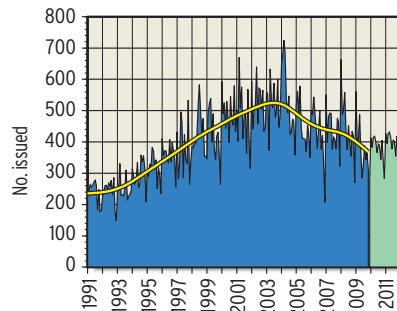
KEY

These economic indicators are provided by NCBR economist John Green.



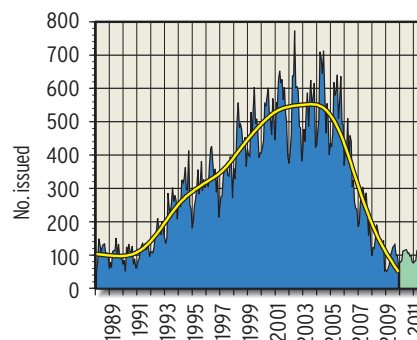
New sales-tax accounts

The trend line continues to decrease but the forecast suggests a mild recovery.



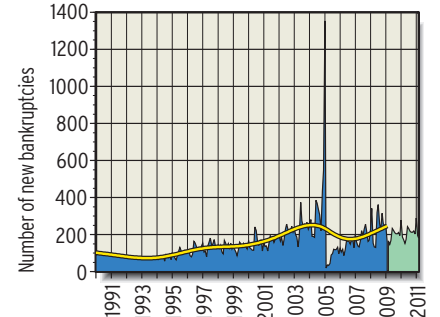
Single-family permits

New permits issued are declining again. This harsh winter weather will not contribute to a recovery.



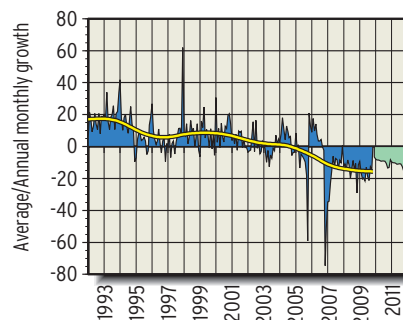
Bankruptcies

Bankruptcies should slow during the holiday season but resume their increase in February.



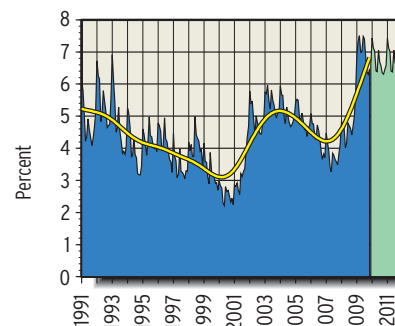
Growth in the region

Annual growth was slightly positive in November, the first positive since December 2007.



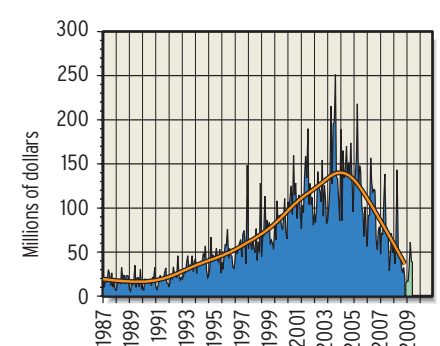
Unemployment rate

The unemployment rate will remain in the 6.5 to 7.5 range for most of 2010.



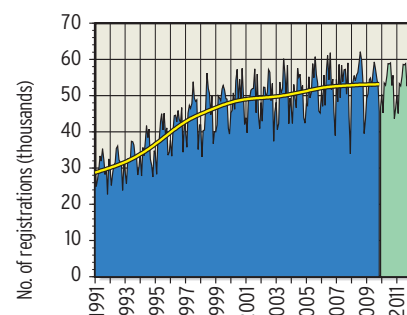
Total construction value

Forecast is truncated beyond next spring because it was negative after that.



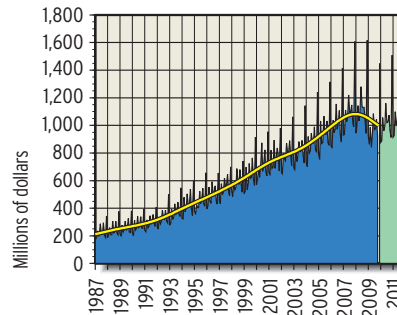
Motor-vehicle registrations

Trend line has leveled suggesting that the number of motor vehicles in NoCo is no longer expanding



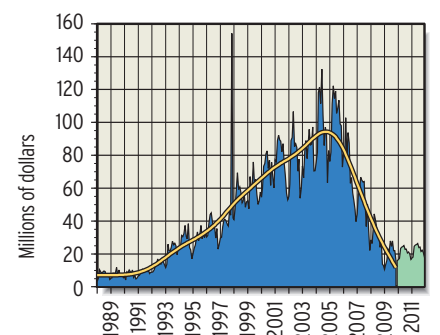
Retail sales

We are at about \$1 billion in sales each month, about 15 percent from 2007/2008 levels.



Single-family permit value

New permits issued are declining again. This harsh winter weather will not contribute to a recovery.



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In 2010, rejuvenate your entrepreneurial spirit

Take stock of 2009 and get ready to go for incredible year

I'm pretty sure none of us wants to read another article about the gloom and doom of 2009; we get it. It happened, and we're digging out of it. Enough said!

What's good about tough times is that they force you to re-evaluate why you became a business owner in the first place. Tapping into that energy that fueled you in the beginning is exactly where to focus now.

The most remarkable thing I noticed

during the past year is that there hasn't been anything predictable about anything in my industry, my clientele, or my projects. This has actually been fantastic; the level of variety and quick thinking that has stemmed from these changing times has really inspired me to be a better navigator and problem solver.

Part of our future success depends on our attitudes right now. Taking stock of



THE AUTHENTIC ENTREPRENEUR

Dawn Duncan

what you accomplished during the past year and how you may have survived some pretty sizable hits creates the ingredient list for an incredible new year.

I'm not one for resolutions, but I'm a big proponent of fresh ideas and new energy coming into the business every January. It just makes sense to start the new year in a positive mindset and with some restructuring in your business model and aspirations.

Ready to go in 2010

What are the ingredients of a rejuvenated, recharged and ready-to-go business in 2010?

Sustainability: We've learned — by having to quickly reinvent the way we

work, buy, invest and salvage — that whatever we do in business, it must be sustainable. When you create a piece of your business model, look at it from all angles. It must map back to the question: "Does this last? Does this go long-term and have the right foundation under it to evolve with changing times?" Operating in a too-trendy mindset, full of ideas that are only good for right now, doesn't sustain you long-term.

Flexibility: At some point this last year, we've all had to learn to bend a little — or a lot. Being rigid in business, whether around payment terms, service levels, or offerings, is an especially bad idea when the arena shifts rapidly. People need to know that you value them so much you are willing to customize certain situations to meet their needs.

Although it doesn't always feel good at the time, the reward of flexibility is that people will see you as approachable, easy to get along with, and ultimately their choice to do business with over your more tightly wound competitors.

Pipeline mentality: The "one-trick ponies" died out this year. You cannot survive in a tough market doing one thing the same way as you always have and refusing to have a backup plan. True, there are many specialized businesses that did just fine last year offering a very limited list of products and services. However, having a pipeline of prospects, ideas, networking opportunities, and ways to change gears fast if needed is a proven way of not focusing all of your attention on just a few customers. In the worst case scenario — say you suddenly lose your main clients — what are you going to do to survive? It is critical to constantly learn, seek, hunt and grow; these are essential components of being an entrepreneur, anytime.

Focus: When the world shifts, you shift, too. But don't lose focus. Obsessing about how bad things are around you will kill your spirit. You might as well close up shop if you go down this road, as your attitude will be repellent to potential success. It's fine to be aware of what's going on in the world, but never forget your focus areas and where your attention will create revenue, client satisfaction and entrepreneurial rewards. The adage of "keep your eyes on the prize" could not hold more true than right now.

Personality: Your business is you. When you own a business, that organization and everything good or bad about it stems from you: your dreams, your ideas, your attitudes, your values. Even if many people work for you, you're still at the top, trickling down the day-to-day protocol and culture to them. When things aren't going according to plan, you have to step in first as a person and relate to people. Hiding behind rules, policies and procedures alienates you from your team and your clients. Infusing your true personality with a great attitude steers you through even the worst of times, and you will most likely keep your people on board as well.

Dawn Duncan is the owner of Broadreach Recruiting & Consulting, a Fort Collins-based firm. Contact her at 970-221-3511 or www.broadreachrecruiting.com.

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TIME OUT



RINGING OUT THE OLD YEAR – 1. Miles and Vallene Kailburn, director of development and owner of Old Town Media Inc., celebrate the holiday season with Mara Hartley, senior HR generalist at Tolmar Inc., and Stacy Stolen, business development representative at Employers Solution Group, at the Fort Collins Area Chamber of Commerce Business After Hours event on Dec. 17 at Comcast Spotlight. **2.** Greg J. Gardner, center, founder of GJ Gardner, visited local franchise owners Bill and Kimberly Stenberg at their Loveland location on Dec. 11 during a trip from his home base in Australia. **3.** Rod Clough, owner, and Natalie Ruhl, store manager and lead designer, celebrate the grand opening of R&R Home on Dec. 8. **4.** Bill Kehl, left, agent with Sears Real Estate; Doug Lidiak, owner of Lidiak Enterprises, and George Pickell, right, director of planned giving for the UNC Foundation, shared some holiday cheer at the Dec. 17 Greeley Chamber of Commerce Business After Hours at the St. Michael's Event Center.

photos by Greeley and Fort Collins Area chambers of commerce, Business Report staff

E-mail your event photos to Editor Kate Hawthorne, khawthorne@ncbr.com. Include complete identification of individuals.

CALENDAR

Jan. 15 - Ethical Misconduct and Cures of the Financial Crisis: A Management Perspective on the Great Recession, from 7 to 9 a.m., Denver Athletic Club, 1325 Glenarm Place in Denver. Cost: \$25/members, \$30/guests, and includes a full breakfast. Contact: Jerry Comer at 303-786-7986 or Jerry@ComerAssociates.com.

Jan. 15 - First Show Gallery Exhibit Opening, starting at 5 p.m., Cultural Arts Council Gallery, 423 W. Elkhorn Ave. in Estes Park. Cost: Free. Contact: Suzy Blackhurst at 970-577-9900 or sblackhurst@estes.org.

Jan. 16 - Winter Trails Day, from 11 a.m. to 4 p.m., Rocky Mountain National Park, Park & Ride Lot near Glacier Basin in Estes Park. Cost: Free, but park entrance fee applies. Contact: Suzy Blackhurst at 970-577-9900 or sblackhurst@estes.org.

Jan. 16 - Earth Fest, from 1 to 10 p.m., Stanley Hotel, 333 Wonderview Ave. in Estes Park. Cost: \$10/adults, \$5 for children. Dinner tickets available for \$20. Contact: Suzy Blackhurst at 970-577-9900 or sblackhurst@estes.org.

Jan. 16 - Ascend 2010: Clarify Your Vision, Create a Plan, and Make 2010 Your Best Year Yet, from 9 a.m. to 4 p.m., A Spice of Life Event Center, 5706 Arapahoe Ave. in Boulder. Cost: \$157. Contact: Sal Silvester at 303-579-5829 or info@512solutions.com.

Jan. 17 - David Korevaar and Barbara Barber Concert, starting at 2 p.m., Stanley Hotel, 333 Wonderview Ave. in Estes Park. Cost: \$5. No charge for children or students. Contact: Suzy Blackhurst at 970-577-9900 or sblackhurst@estes.org.

Jan. 19 - 20 - Financial Security Workshop, from 11 a.m. to 2 p.m., Rustic Oven American Bistro, 350 E. Harmony Road in Fort Collins. Cost: Free. Contact: Erica Pauly at 970-669-1225 or Erica@growsecure.com.

Jan. 20 - Beginning Financial Management, from 8:30 a.m. to 12:30 p.m., SBDC office, 125 S. Howes St., Suite 150 (Key Bank Tower) in Fort Collins. Cost: \$60, \$70/day of. Contact: SBDC at 970-498-9295 or www.sbdc-larimer.com.

Jan. 20 - Business InSights: Downtown Loveland Panel/Forecast, from noon to 1:30 p.m., Loveland Museum, 503 N. Lincoln Ave. in Loveland. Cost: \$10 for Loveland Chamber Investors, \$15 for everyone else. Registration Deadline: 5 p.m., Jan. 18. Contact: Nicole Hegg at 970-744-4792 or nhegg@loveland.org.

Jan. 21 - Johnstown-Milliken Chamber of Commerce Business Networking Luncheon, from 11:30 a.m. to 1:30 p.m., Candlelight Dinner Playhouse, 4747 Market Place Drive in Johnstown. Cost: \$20. Contact: Johnstown-Milliken Chamber at 970-587-7042 or info@johnstownmillikenchamber.com.

Jan. 21 - Right Start I - Business Registration & Entity, from 7 to 9 a.m., SBDC office, 125 S. Howes St., Suite 150 (Key Bank Tower) in Fort Collins. Cost: \$25, \$35/day of. Contact: SBDC at 970-498-9295 or www.sbdc-larimer.com.

Jan. 21 - Systemize Your Business, from 10 a.m. to noon, SBDC office, 125 S. Howes St., Suite 150 (Key Bank Tower) in Fort Collins. Cost: \$25, \$35/day of. Contact: SBDC at 970-498-9295 or www.sbdc-larimer.com.

Jan. 21 - Easy Market Planning, from 8 to 9:30 a.m., Lincoln Center - Columbine room, 417 W. Magnolia in Fort Collins. Cost: Free. Contact: Lori Zuccolin at 970-498-6606 or www.larimerworkforce.org/roundtables.

Jan. 22 - Domain Name & Email, from 5 to 7 p.m., Front Range Community College - BP119, 4616 S. Shields St. in Fort Collins. Cost: \$29 (includes materials). Registration Deadline: Jan. 19. Contact: Laurie Rue at 970-204-8686 or laurie.rue@frontrange.edu.

Jan. 22 - Loveland Chamber Annual Investor

Meeting, from 5:30 to 8:30 p.m., McKee Wellness and Conference Center, 2000 N. Boise Ave. in Loveland. Cost: \$50 for Loveland Chamber Investors, \$70 for non-investors. Contact: Nicole Hegg at 970-744-4792 or nhegg@loveland.org.

Jan. 23 - Le Ann Rimes, from 7:30 to 9:30 p.m., Union Colony Civic Center, 701 10th Ave. in Greeley. Cost: \$47, \$37, \$33, \$75/Center circle. Contact: Andy Segal at 970-350-9455 or andrew.segal@greeleygov.com.

Jan. 24 - Winter Song Concert, starting at 2 p.m., Stanley Hotel, 333 Wonderview Ave. in Estes Park. Cost: \$5. No charge for children or students. Contact: Suzy Blackhurst at 970-577-9900 or sblackhurst@estes.org.

Jan. 26 - 27 - Colorado Water Conservation Board Meeting, starting at 10:15 a.m., Hilton Garden Inn, 7675 E. Union Ave. in Denver.

Jan. 26 - Small Business Marketing, from 1 to 4:30 p.m., SBDC office, 125 S. Howes St., Suite 150 (Key Bank Tower) in Fort Collins. Cost: \$40, \$50/day of. Contact: SBDC at 970-498-9295 or www.sbdc-larimer.com.

Jan. 28 - Small Business Fraud Empowerment Workshop, from 1:30 to 4:30 p.m., Best Western Crossroad Inn, 5542 E. U.S. Highway 34 in Loveland. Cost: \$129. Registration Deadline: Jan. 25. Contact: Dean Caffee at 970-290-2928 or deancaffee@businessfraudprevention.org.

Jan. 28 - Fraud Prevention Made Easy For Local Small Businesses, from 1:30 to 4:30 p.m., Comfort Inn, in Loveland. Contact: Dean Caffee at 970-290-2928 or www.businessfraudprevention.org.

Jan. 28 - Church Basement Ladies...The Musical Comedey Hit, from 2 to 9 p.m., Union Colony Civic Center, 701 10th Ave. in Greeley. Cost: \$28, \$25, \$18, \$45/Center Circle. Contact: Andy Segal at 970-350-9455 or andrew.segal@greeleygov.com.

Jan. 28 - CCU's Adult and Graduate Studies Info Session, starting at 6 p.m., Northern Colorado Center, 1750 Foxtail Drive in Loveland. Contact:

Marlene Seloover at 303-963-5201 or mseloover@ccu.edu.

Jan. 28 - Help for Inventors Meeting, from 6 to 8 p.m., The Pour House, 124 E. Fourth St in Loveland. Contact: Doug Collins at 970-310-7836 or Rita@inventorsroundtable.com.

Jan. 29 - Artist-In-Residence II Exhibit Opening, starting at 7 p.m., Estes Park Museum, 200 Fourth St. in Estes Park. Cost: Free. Contact: Suzy Blackhurst at 970-577-9900 or sblackhurst@estes.org.

Jan. 29 - Basic Web Site Management, from 5 to 7 p.m., Front Range Community College - BP119, 4616 S. Shields St. in Fort Collins. Cost: \$29 (includes materials). Registration Deadline: Jan. 26. Contact: Laurie Rue at 970-204-8686 or laurie.rue@frontrange.edu.

Jan. 29 - Microsoft Access 2007-Basic, from 8 a.m. to 5 p.m., Front Range Community College - BP152, 4616 S. Shields St. in Fort Collins. Cost: \$149 (includes textbook). Registration Deadline: Jan. 26. Contact: Laurie Rue at 970-204-8686 or laurie.rue@frontrange.edu.

Jan. 31 - 3/4 Trio concert, starting at 2 p.m., Stanley Hotel, 333 Wonderview Ave. in Estes Park. Cost: \$5. No charge for children or students. Contact: Suzy Blackhurst at 970-577-9900 or sblackhurst@estes.org.

Jan. 31 - 31st Frost Giant 5K and 10K Winter Races, Town Hall, 170 MacGregor Ave. in Estes Park. Cost: Call for entry fees. Contact: Suzy Blackhurst at 970-577-9900 or sblackhurst@estes.org.

Feb. 1 - 11 - Learn Conversational Spanish - Beginning Level, from 7:30 to 9:30 p.m., Front Range Community College - CP120, 4616 S. Shields St. in Fort Collins. Cost: \$149 (includes materials). Registration Deadline: Jan. 25. Contact: Laurie Rue at 970-204-8686 or laurie.rue@frontrange.edu.



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ON THE JOB

NONPROFIT

The Milken Family Foundation presented Fossil Ridge High School social studies teacher **Mark Barry** with a \$25,000 check in recognition of his exceptional work as a model teacher for the state and nation.

FINANCE

Patrick Varney, a financial advisor in the Raymond James Financial Services Inc. office at Bank of Colorado in Windsor, has been named to the firm's 2010 Executive Council in recognition of outstanding client service and exemplary professional growth.

Lucas Ladd, has joined the Edward Jones office in Fort Collins as a financial advisor. Ladd will work out of the Fort Collins office over the next several months, then will continue serving investors throughout the area.

ACCOUNTING

Teresa Mueller, director of Accounting & Advisory Services for Mueller & Associates, CPA LLC in Loveland achieved the 2010 ProAdvisor certification for the QuickBooks accounting software program.

Russell Burgett has joined Brock and Co. CPAs, PC in Fort Collins as staff accountant. Burgett earned his bachelor's degree in Business Administration with a double major in Accounting and Finance from Ohio Northern University in 2008.

ACADEMICS

The Education & Life Training Center in Fort Collins hired **Paul Batchelder** as a computer instructor. Batchelder's expertise includes system

administration supervision and support, as well as computer and software training. **Diane Cohn** has joined the nonprofit as program manager. Cohn will be responsible for growth and oversight of ELTC's computer and technology training program offerings, and tasked with propelling the growth of ELTC's computer refurbishing program to meet growing needs in the community.

The Institute of Business and Medical Careers Fort Collins campus hired **Melodie Nicholas** as Allied Health/adjunct instructor, **Gina Kali** and **Krista Maloney** as the new general ed/adjunct instructors, **Justin Bowles** as the new pharmacy technician adjunct instructor, and **AnSun Vernell Alexander** as the new massage therapy adjunct instructor. The Greeley campus hired **Tasha Jackson** as the new business/adjunct instructor, **Sharleen Spaedt** as the new medical billing and coding/adjunct instructor. **Jennifer Alexander** joins as the new high school admissions representative for all campuses.

Mikel Longman has been named the University of Northern Colorado chief of police effective Jan. 18. Longman has served the past 34 years at the Arizona Department of Public Safety. He replaces **Wendy Rich-Goldschmidt**, who departed to become the police chief at Colorado State University.



LONGMAN

INSURANCE

Scott R. Bicknell has joined Renaissance Insurance Group in Windsor, which specializes in personal and commercial insurance products

including home, auto, workers compensation and commercial products.

Farmers Insurance Group of Cos. appointed **Deb Settle** as senior vice president field operations, Central Zone, effective immediately. The Central Zone includes the states of Montana, Wyoming, North Dakota, Nebraska, Kansas, Iowa, Missouri, Minnesota, Colorado, Idaho and Utah.

HEALTH CARE

Elizabeth Long, M.S., R.D., CDE, an outpatient dietitian at McKee Medical Center in Loveland, achieved Certified Diabetes Educator status. **Bill Richard**, **Pam Babbitt**, **Joy Murren**, **Gilbert Garcia**, **Mickey Neuhaus**, **Connie Weakland**, **Karen James** and **Cindy Richard**, members of McKee's Sterile Processing Department, all received certification through the International Association of Hospital Central Service Management. Volunteer Service Coordinator **Janice Greeno** received the Certified Administrator of Volunteer Services status through the Association for Health Care Volunteer Resource Professionals.



BICKNELL



ROGERS

REAL ESTATE

Gary Rogers, **Justin Morales**, and **Rick Kness**, agents with the Keller Williams Harmony office in Fort Collins, have earned their Certified Distressed Property Expert designation, which helps agents with short sales and foreclosures.



MORALES

Jerry Crawford, broker and owner of Re/Max Action Brokers, was awarded the Certified Negotiation Expert Designation. The CNE designation is awarded for learning and applying negotiation techniques to assist a real estate brokers' clients. Re/Max Action Brokers has offices in Fort Collins, Wellington, and the Centerra development in Loveland.



KNESS

Mike Malvay joined The Group Inc. Real Estate as a broker associate/partner. Malvay earned a degree in Environmental Engineering from Colorado State University and worked in the engineering field for six years before becoming an agent. He is located at the west Mulberry Street office in Fort Collins.



CRAWFORD

John Valencia has joined Sears Real Estate in Greeley. Valencia brings 24 years of real estate experience and has professionally earned designations of GRI, certifications as a residential specialist, luxury home marketing specialist and is a certified negotiation expert.



MALVAY

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BRIEFCASE

Nonprofit notes

Junior Achievement of Northern Colorado received a \$5,000 gift from **Great Western Bank** to fund the financial literacy program in elementary, middle and high schools in the region. The gift is a part of the bank's Greater Than CD program, which donates to worthwhile causes in its communities based on the greatest areas of need with a focus on low income housing initiatives, organizations for children in need and financial literacy programs.

The **Melting Pot** in Fort Collins raised over \$19,300 for the sixth annual "Thanks and Giving" campaign to benefit **St. Jude Children's Research Hospital**. Fort Collins Melting Pot ranked third among over 145 Melting Pots nationwide with the amount raised. Funds raised by the campaign support the work of finding cures for children with cancer and other catastrophic diseases through research and treatment. For more information, visit www.stjude.org

The **Friends of the Gardens on Spring Creek** is a recipient of a \$20,000 grant from the **Stanley Smith Horticultural Trust** in San Francisco. The grant will fund the salary of a part-time fundraising coordinator at the **Gardens on Spring Creek** through December. Over the next year, the fundraising coordinator will help develop and implement a mission-based strategic fundraising plan. The goal is to grow and sustain financial support for the expansion and enhancement of the ornamental display gardens, demonstration areas, and horticulture education programs.

KUDOS

The Certificate of Achievement for Excellence in Financial Reporting has been issued to **High Plains Library District** by the **Government Finance Officers Association** of the United States and Canada for its comprehensive annual financial report. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. The High Plains Library District includes libraries in Erie, Firestone, Greeley and other communities across Northern Colorado.

Caring Hearts Home Health Care of Northern Colorado in Greeley has been named to the 2009 HomeCare Elite for the third consecutive year. The HomeCare Elite is a compilation of the top 25 percent performing home health agencies in the United States. Agencies are ranked by an analysis of performance measures in quality outcomes, quality improvement and financial performance.

Boating Industry magazine named Loveland-based **Colorado Boat Center** No. 42 on its list of the Top 100 Dealers in North America.

Realities for Children Charities has been selected for the 2009 Best of Fort Collins Award in the Child Related Social Services category by the **U.S. Commerce Association** and chosen as the E-chievement Award recipient by **Etown**. Each year, the USCA identifies companies that they believe have achieved exceptional marketing success in their local community and business category. The Etown E-chievement Award is given to a person or business in which listeners of the Boulder-based public radio show send in tales of remarkable individuals who are working hard to make a positive difference in their communities and beyond.

The Dolphin Explorer Boat, an adventure-themed playset designed and developed by **Sprig Toys** in Fort Collins, has been nominated for a 2010 Toy of the Year Award by the **Toy Industry Association**. This is the fourth TOTY nomination earned by company. Sprig's earth-friendly, all battery-free toys have received 30 awards in the two years since the company was founded.

Cleopatra's Day Spa in Fort Collins has earned the distinction of being a "Favorite Place on Google." Between July 1 and Sept. 30, the day spa was searched 6,398 times. Users requested driving directions or other information 896 times. Google has provided the day spa with a window decal that identifies it as a "Favorite Place." The decal displays a bar code that prospects can scan with cameras on their phones, then access the day spa's Google business listing, read and write reviews and add it as one of their favorite places.

Accounting Today magazine named **Soukup, Bush & Associates CPAs PC** one of the 2009 Best Accounting Firms to Work for in its annual list of "Best Accounting Firms" in the small firm category. To be considered for participation, firms had to fulfill the following eligibility requirements: be a for-profit or not-for-profit business; a publicly or privately held business; have a facility in the United States; have at least 15 employees in the United States; must be in business a minimum of one year; be an accounting firm.

NAME CHANGE

The **Orthopaedic Center of the Rockies** has updated its name to **Orthopaedic & Spine Center of the Rockies**. The name change highlights the 40-year-old medical practice's services for patients with disorders or injuries to their back or neck. The practice's new name applies to the Orthopaedic & Spine Center's offices in Fort Collins and Loveland. OCR recently moved its office in Loveland to a new facility at 3470 E. 15th St. on East U.S. Highway 34 across from Mountain View High School.

DEALS

U.S. Masters Swimming has selected Loveland-based **Colorado Time Systems** as the official timing and scoring partner for a four-year term effective Jan. 1. U.S. Masters Swimming, based in Sarasota, Fla., is a national nonprofit organization that provides organized workouts, competitions, clinics to adults age 18 and over.

MISCELLANEOUS

Tour de Fat, **New Belgium Brewing's** traveling celebration of all things bicycle, raised more than \$276,000 for bike advocacy groups during the 2009 season. Tour de Fat is a free event, but the money raised from the sale of New Belgium beers and merchandise helps local organizations continue their work of bicycle advocacy and environmental stewardship. Last year Tour de Fat broke the \$1 million mark, and with this year's donations, the grand total now stands at more than \$1.25 million.

The **Ellis Ranch Event Center & Wedding Park** in Loveland has been selected as an "Event Site of the Year" finalist for the 2010 Event Solutions Spotlight Award. The judging criteria include customer service, staff performance, creation of event-friendly environment, events held at the venue and uniqueness. Winners will be announced at the 2010 Spotlight Awards Event on March 8, during the Event Solutions Conference & Tradeshow in Las Vegas.

If you have an item to share about name changes, new products or business news of note, e-mail it to Noah Guillaume at nguillaume@ncbr.com, or mail it to Briefcase at NCB, 141 S. College Ave., Fort Collins, CO 80524.

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ECONOMIC ROUNDTABLE

ROUNDTABLE, from 1

M.D., Fort Collins family physician and past president of the Larimer County Medical Society; **Rick Hausman** with Benchmark Realty and treasurer of the Fort Collins Board of Realtors; **Steve Kawulok**, broker manager of Sperry Van Ness/The Group Commercial Inc.; **Darrell McAllister**, president of Bank of Choice; and **Kelly Peters**, chief operations office for the Rocky Mountain Innovation Initiative.

The 2010 Economic Roundtable took place in the community room of First Western Bank and Trust in Fort Collins on Dec. 10, 2009.

KATE HAWTHORNE: So, how was 2009 in the banking industry?

DARRELL McALLISTER: I've got almost 30 years of history in the industry around the area, and 2009 probably will go down as the worst year, I think, in banking that we have seen. It sounds pessimistic, but that's probably the reality of it. The majority of the banks are working very diligently on their troubled assets and will probably continue to do that into 2010.

KRISTEN TATTI: And how does that impact everyone's industry here?

McALLISTER: The real estate industry is probably the largest impact. We've got probably — just not in Northern Colorado, but in Colorado and nationally — ahead

of ourselves in real estate. So you're basically slowing down, not doing as much, waiting for the demand to finally catch up with the supply that was out there. Medical, I'm guessing, is not hurting as much. Agriculture, you probably still find credit available. The New Frontier Bank situation took a lot of agricultural credit out, but I think that was more in the dairy industry. But I think good ag production today can still find money. The manufacturing industry today, many banks, including ours, are very restrictive on how we'll lend, but all of us, as bankers, are looking for loans to do in that area. Most banks in the area are probably saying they would like to reduce their loan portfolios in the commercial real estate area. I know we will actually entertain, and would like to entertain, commercial industrial loans, and we'll look at commercial real estate owner-occupied buildings, but if it's commercial real estate, non-owner occupied, and construction loans, it's very difficult credit to approve at this time.

STEVE KAWULOK: The lack of liquidity is repeatedly cited by my commercial real estate industry peers as the No. 1 obstacle to getting any activity going. What's happened in this last 12 to 18 months is people are just trying to figure out how to bring liquidity to the market, and it really requires a lot of creativity. As Darrell also mentioned, the owner-occupied deals are still finding ways to get done. There's SBA financing available, and that's been actually a lot of the most attractive financing. Outside of that, though, you're looking at either seller-finance, or for troubled or distressed assets you sometimes get some financing, depending on the scenario, or for very, very strong borrowers, cash deals. So that's very much restricted the number of transactions. They've fallen dramatically from just a few years ago.

MARC ARNUSCH: One year ago, many of us in agriculture thought we would be immune to the capital credit issues faced by Wall Street. Today, I would suggest that no one is immune to those blows. And as Darrell has mentioned, with the fallout from the New Frontier closure, especially those producers in Weld County will be faced with a credit crunch that they've never witnessed before. Many hard-working, honest farmers and ranchers will go out of business this year because they will not be able to access credit, and those that remain in the industry will be required to provide more information about their operation than ever before. And it's an attempt for the lender to assess risk. I appreciate what Darrell had to say, certainly, about there is money to lend to those operations that have their fiscal house in order; however, I don't think the average farmer is yet aware of what he'll have to provide as 2010 begins. I really believe that the fallout from New Frontier Bank, at least in the agricultural industry, has yet to be felt.

CORY CARROLL: From the medical perspective, I agree with Darrell's comment; I don't think it's taken a big crunch. But as a family physician, for the primary care folks, we've had difficulties

for years. And I think this last year has just kind of nailed it. In Fort Collins, the number is approaching 17 or 18 primary care physicians that have dropped their practices or left town. And I think last year's change of the economic system has just made (continuing in practice) much, much more difficult. The other concern for physicians in general, but mainly primary care, is that we have restrictions in how we can raise capital. (By law) we cannot go out and seek investment for our individual practices. The hospitals can, so a physician can join a hospital, and they can go raise investment. So if a primary care doctor wants to expand their clinic, they have to go to the bank and get a loan, and that's not happening. So a lot of docs trying to expand their clinics are finding it tough to get capital and money.

TATTI: Have you heard much, Kelly, from the people you work with on the technology side, about their access to capital?

KELLY PETERS: The people I work with are high-growth startups, and debt financing is typically not at all an option. So you would think they'd be insulated from the crisis; however, angel investors and venture capital financing is also extremely hard to find right now. So they're impacted, but not for debt financing.

TATTI: Just the overall credit market?

PETERS: Right. Larger technology firms feel it, because their suppliers cannot get the financing that they need. But these high-growth startups that I'm dealing with, it's a different topic.

TATTI: Residential?

RICK HAUSMAN: Well, I think we probably had, in the past, too easy access to liquidity and money. I think the pendulum has swung the other way. Well-qualified, owner-occupant buyers still probably don't have much trouble getting the money. They have to provide more information to do so, and that may

be good, in some situations, versus where we were. A lot of the private banking options for first-time, high-leverage properties are gone, so there's a lot higher percentage of FHA or VA financing happening on those first-time homebuyer transactions versus several years ago. In terms of investment property and construction, just like on the commercial side, that's a lot harder than it was years ago, but the qualified owner-occupied borrowers can still find money.

TATTI: What about on the inventory side of residential? Are you seeing that eaten up, or are we still having some oversupply?

HAUSMAN: I think that's one of the benefits of this area — our inventory is, relatively speaking, a lot more balanced and has been decreasing. Unfortunately, demand

has been decreasing faster. But there's various markets, like Las Vegas, where demand's been decreasing and inventory's been increasing. With the first-time homebuyer tax credit and access to capital, the inventory on the lower end of our market is a lot more balanced, or even closer to favoring the seller than the upper end of the market. Within that price range is where the demand's coming from right now.

TATTI: So maybe some good news there?

HAUSMAN: Yeah. I definitely think that, if you were the seller of a single-family home, below the median price, this past six months hasn't been all bad news for you. If you were selling a home at double, triple the median price, it may be a waiting game.

PETERS: Rick, what is the median price now?

HAUSMAN: Well, the number I've been using in the past year for the Fort Collins, Loveland, Windsor area is \$250,000. That's not the real number, but it's been helpful for me to educate buyers because for single-family homes below that, the time on market toward the end of the summer in Fort Collins was probably three months or under three months, which is pretty healthy. If you double that (price), you're well over a year (on the market), and up to 10 years, for just current demand versus the number of homes that sell for over a million. So that number is very useful, more so than it is accurate. But our average and median price have gone down, not so much because homes are losing value, but the number of homes selling on the lower end is greater.

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Steve Kawulok

"There's SBA financing available, and that's been actually a lot of the most attractive financing."



Cory Carroll

"The other concern for physicians in general, but mainly primary care, is that we have restrictions in how we can raise capital."



Rick Hausman

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Darrell McAllister

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Marc Arnusch

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Kelly Peters

"Larger technology firms feel it, because their suppliers cannot get the financing that they need."

ECONOMIC ROUNDTABLE

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TATTI: You said you think a lot of that has to do with the first-time home-buyer tax credit?

HAUSMAN: That, and to get a jumbo loan is a lot more difficult. And with people's assets in other areas being decreased, the amount of activity in the higher price range seems to be slower. You know, people who may be able to buy a million-dollar home may decide they don't want to, because they're uncertain of what their income's going to be next year. For people buying on the lower end, the cost to rent versus to buy, the difference isn't as great.

TATTI: I imagine each industry is facing changes in the regulatory landscape, impacts from stimulus funding, and I think it would be interesting to hear from each of you what those impacts are, if they're positive or negative, and what are the most either troublesome or positive.

HAWTHORNE: I think we should hear what's going to happen with health care.

CARROLL: A summary of the national scene?

STEVE PORTER: National is such a moving target right now. It's hard to talk about.



CARROLL: It's beyond moving. I think the health-care dilemma is behind not everything but a significant amount of what we're seeing now. The costs that occur, and the number of people that are involved, and how it's affecting our population is huge. Obviously, the fact that we need to reform it is there, and that's what we're hearing in Washington. I think we have to reform this system, but I think the potential of Washington coming out with something that will actually fix the system is not reasonable. It's not gonna happen. I do think it's a step in the right direction that we're dealing with it, and as many things that are going to occur, it'll kind of have to go through a lot of turbulence before we kind of settle on anything.

From the state level, everybody is waiting to see what Washington is going to do. My hope is that there will be some initiatives that will allow states to do some experimentation with the system. We have lots of restrictions, ERISA and other things, that decrease the ability for states to try different experiments in health care. I hope that part of this pack-

age will include a provision that will allow states to experiment, whether they want to go to a single-payer model or different other things. I think if that comes out of Washington, that's going to be very beneficial. And then hopefully what we can see is some states find which systems are actually working better, and I think that's going to be how health care will evolve in the next decade or so.

KAWULOK: This wait-and-see element in health care, we've seen it in commercial real estate. Private practitioners are just not expanding, they're not moving, they're staying put, so we've seen good medical space stay on the market

for 18 months now without being filled, and that's very unusual for our area. And outside of the activity centered around the hospitals — MCR and Poudre and Banner — from what

Steve Kawulok

"And so, if anything, they're talking to us about consolidation, not expanding the practice."

we see, the private independent docs just do not feel they can make business decisions right now, given the state of health-care reform, perhaps, and also, perhaps, because their patients aren't able to pay them. And so, if anything, they're talking to us about consolidation, not expanding the practice. And they're looking to dramatically lower their costs, because they're concerned about what's happening in the future.

PETERS: Health-care reform directly impacts job creation, as well, in stymieing innovation, because a person

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Cory Carroll

"I think the health-care dilemma is behind not everything but a significant amount of what we're seeing now."

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ECONOMIC ROUNDTABLE

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would rather stay and keep their day job at Intel versus go out and launch their business and create more net new jobs. So I definitely believe that health-care reform is critical for entrepreneurship and further job creation.

CARROLL: The real dilemma is that, even with insurance, 75 percent of bankruptcies occur in people that have insurance. I agree, if we had a system that was fair and equitable, it would inject our economy with huge amounts of capacity. I think we'd see lots of people branching out. My humble opinion is, if we don't control costs in health care, no matter what we do, it's failed. And I think the medical community needs to step to the table and really start solving some of these problems ourselves. We have to try to improve our quality, decrease the excessive costs. I think that's happening in little pockets. In Grand Junction, they have a very good system with the Rocky Mountain HMO that basically worked to put all of the patients in that region into one system, and they have lowered the costs, and they delivered the care. There's entities out there that's doing a very good job. We just have to figure out a way of putting that to the rest of the community.

PETERS: But there is an issue of going from a group plan to an individual plan and a huge leap in costs there. Leaving from insurance in a group or a larger firm to go to start a new one, it's just unaffordable.

ARNUSCH: That's exactly what agriculture, for the most part, is facing: being able to afford a reasonable health insurance policy that doesn't have a deductible that's \$5,000 or \$10,000. Especially here in Colorado, where the average age of our producers is over 60, the health-care debate very much is being watched by most farmers and ranchers.

The other issue, and maybe it was more of a promise by Washington, is that access to affordable and quality health care for rural areas was going to be a focus. In my mind, I haven't seen that yet. For myself, I live 35 miles northeast of Denver. I can access some pretty good hospitals and clinics if I need to, but some of the producers that live two and three hours away from our Front Range are struggling even with simple procedures such as X-rays, throat cultures and blood tests. And so I see this issue about affordable health care really resonating within the agricultural community. If we can't retain the quality individuals within agriculture, we're going to stand to lose a lot of proprietary knowledge,

background and work ethic. And so it's just what Kelly talked about, if we can't start to provide good, reasonable insurance that can be affordable as individuals, how are we going to begin to provide them for our employees too?

TATTI: Sounds like the health-care question kind of spreads across a lot of industries. Are there any other legislative issues, Kelly, that you have seen recently, or are keeping an eye on? Or how has the stimulus even impacted what you are doing?

PETERS: Well, right now I'm watching the SBIR, STTR grants, and making sure that those stay on the table, because our companies — there are 18 in the incubator currently — all of them are writing grants right now. But as far as the Recovery Act, every researcher I know, especially earlier in 2009, wrote grants to solicit some of that money. So it's been a very good thing for the research community. And on a positive note, the angel tax credit legislation did pass (in the Colorado legislature). That's going to allow, starting in January, over two years of 30 percent tax credit to people investing in startups in a technology space. So that's a very big positive.

KAWULOK: Commercial real estate has a lot of concern about tax policy coming up in two areas in particular: One is called carried interest, and that affects commercial real estate because a lot of commercial real estate is done through partnerships. The sponsor of that partnership, which is usually the point person who takes equity interest — basically it's sweat equity from putting the deal together and managing it and executing it — that interest would be taxed not at a capital gains rate, but at twice that rate or more, based on personal income tax rate. Most of the commercial real estate that you see around town has partnership elements, and that would stymie the lead partner whose reward for their hard work and sponsorship is usually a piece of the equity. If they're going to be taxed at double the rate they anticipated, they won't like that.

The other is, indeed, capital gains. Capital gains is the tax on a gain of a property when you sell it, compared to your cost base, so the difference, the profit you may make, gets taxed right now, at a 15 percent rate. The industry seems to be able to work with that, but there's a lot of concern that, as Washington looks to find new sources of tax income to offset all the stimulus, capital gains (tax rate) could even double. And that, again, puts a damper on an industry that's pretty down right now.

HAWTHORNE: Darrell, do you think some of the regulation that's been going on in the banking industry has gone too far?

MCALLISTER: That's a tough one. You know, bank regulation has been there for years, and it's been fairly extensive. A little bit of the regulation issue that's happening with banking is more of an overreaction to investment bankers. Most of your Main Street banks, which is what everybody around here pretty much deals with, are fairly well regulated, and lots of changes in those regulations are probably not needed to effectively control and administer the local banks. I do believe that the administration has found out they have no control at all over the much larger, too-big-to-fail banks and the investment bankers, so they are looking at some changes there to figure out how to try to control that. As a Main Street bank, we're a little concerned that some of the things proposed would be pretty negative to us, and maybe detrimental with one regulatory agency, the Consumer Protection Act pieces.

ARNUSCH: Darrell, I guess my question would be for those who are asking for additional regulations within the banking industry. How do you compare it to what took place at New Frontier Bank and maybe some of the proclaimed mismanagement? What do you say to those who are asking for this regulation when you say that regulation really doesn't need to increase?

MCALLISTER: To diplomatically answer that, if regulation is properly watched over, I would probably suggest that maybe New Frontier Bank wouldn't have happened to the level it did. I think the regulators get a little less active in how they oversee a bank in a good economy. But when a bank is growing at over \$500 million in a year, they consider that a high-risk situation. And to have not taken steps to slow that growth and some of those issues down sooner would be a question, in my mind, as to why that didn't happen. But that happened for two years in a row. I know if any bank grows over 7 percent in a year, it comes up on their radar, and they usually have a pretty close look. Especially on Main Street banks, which even though New Frontier had \$2.2 billion (in assets) would still be considered a Main Street bank, those rules and regulations are there in order to be able to supervise that properly. But it still takes somebody actually administering those rules and regulations.

TATTI: Did you want to comment on any legislative issues that agriculture is seeing?

ARNUSCH: There are a number of legislative issues that affect us at the state level, where we are going to try to defend what we have now instead of trying to ask for more. I think the two main ones that I'd like to talk about are more of a national debate. One is cap-and-trade legislation or the climate-change discussion. That type of legislation, if fully implemented, would devastate agriculture from an energy-use standpoint. Agriculture consumes a lot of energy, and not just fossil fuels and electricity, but also a lot of chemistries in agriculture that are dependent upon energy. It's really a double-edged sword. In one respect, we could see costs escalate anywhere from 20 to 70 percent. But by the same token, we could also benefit from that type of legislation in being paid for many of the operations we do already, through carbon sequestration, capturing much of that carbon and putting it back into the earth through the plants that we grow and the practices that we follow. So much of this is a blind faith in Washington, and as a producer, I'm very skeptical of any legislation that would offset this potential devastation through energy costs. But what I see is that cap-and-trade legislation caps our opportunities, our ability to grow, and it caps our ability to produce the food, fiber and fuel for this nation. And so that certainly is one of our biggest concerns.

The second is we have a lot of those that are not associated with animal agriculture trying to preach to producers how to humanely treat our animals. And recently the Humane Society of the United States was effective in banning, over a period of time, gestation crates and other practices that we use in the state of Colorado, because they've viewed it as being inhumane. The fact of the matter is we do those things with our animals to protect them, to keep their safety at a highest level, and to keep their health stable. In the state of Ohio, they recently, on a ballot measure, overwhelmingly approved an advisory board that will develop the mass management practices for livestock producers in Ohio, where all of those industry partners and experts can come together and develop what we would perceive as humane treatment of animals, where all voices can be heard, and standards for the industry can be developed. And I believe that's a very proactive approach to trying to mitigate some of the concerns, while also providing for a profitable and equitable treatment of the animals.

HAWTHORNE: That sounds like what Dr. Carroll was talking about, the industry, itself, getting out in front of some of the issues. Do you think that's going to be something that might be happening throughout the economy in the next year?

KAWULOK: Oh, it is right now, especially around the banking industry, and how that affects our industry and so forth. After a couple years of very challenging times, our industry is trying to get out in front and dialogue with legislators and other people in the industry. There's something called the Real Estate Roundtable, which does exactly that: It brings voices from all aspects of the industry together so that we have a uni-

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2010
Economic
Roundtable



**Darrell
McAllister**

"I think the regulators get a little less active in how they oversee a bank in a good economy."

2010
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**Kelly
Peters**

"And on a positive note, the angel tax credit legislation did pass (in the Colorado legislature)."

2010
Economic
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**Marc
Arnusch**

"And so I see this issue about affordable health care really resonating within the agricultural community."

ECONOMIC ROUNDTABLE

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fied voice. And they have been testifying in front of Congress as these stimulus plans are debated and so forth. So they've very much taken a seat at the table.

Commercial real estate has some huge challenges still ahead of it. There's a trillion dollars of loans that are coming up for renewal in the next few years, and there's not a trillion dollars of liquidity in the system to refinance those loans. The Promenade Shops (at Centerra), for example, that's part of the issue of not finding a refinance person to come in and refinance that loan. Boy, the only solution is to really proactively approach it, because after a couple years of not having solutions, I think the survivors in this industry realize they have to get very active and figure out some solutions.

HAWTHORNE: You mentioned the Promenade Shops (which entered the first phase of foreclosure proceedings in November). What does that situation do to the rest of the market?

KAWULOK: Well, I think it's kind of a symbol. It doesn't directly affect others, but people watch that, because it's very public. What's happening, and has happened already locally, is there's a repricing of real estate assets, and so the question is,

when you have to reprice the asset to today's market, who takes the loss? So it's quite a chess game to find out who's going to do that. What seems to be happening this time around is

that the lenders are the ones taking the haircut. In the past, when the savings-and-loan crisis occurred, the federal government more or less stepped in with the RTC and created what some people call a toxic-asset bank. But this time around, it appears that the lenders are the ones that are taking it in the shorts. In some cases, the borrowers have some good negotiating power, because it's a question of either you work with us or you go ahead and take the asset back. And the lenders who take the asset back, nationally, we're finding they get about a 60 percent recovery rate. So if they take the asset back, they're probably looking at a 40-cents-on-the-dollar loss by the time they ultimately dispose of the asset. While some situations just occur because there's no liquidity to replace the old liquidity, no capital out there, there's also a lot of negotiating going on to find out who's going to absorb the ultimate repricing of the asset.

HAWTHORNE: And I take it that will be continuing through the new year?

KAWULOK: Oh, it's happening local-

ly in a lot of cases. We've already dealt with about half a dozen distressed or troubled assets, either through short-sale mechanisms or through the lender taking the property back and reselling it at the current market price. We just finished our first FDIC sale. Our market's going to see this for a couple years yet, where there will be troubled assets coming into the marketplace and having to be disposed of at current pricing. And some of it will be FDIC-controlled assets, which means that the FDIC took the hit, and some will be lenders who take the hit, and some will be owners of other assets who just have to take the hit and reduce their exposure. So there's probably at least three years ahead of us,

I think, where these troubled assets are going to become front-page news.

TATTI: Darrell, do you want to comment on that at all, from the banker's point of view?

McALLISTER: Sure, and maybe just a little clarification. The RTC was really to handle the problem assets left after the banks' failure, because when customers try to negotiate with the bank they expect us to take a portion of the loss, and if we do too many of those suddenly we're out of business, and the FDIC takes us over and then they basically have to dispose of those assets. Do they someday create an RTC again? I don't know.

But that's basically the problem.

So, from a lender's standpoint, we will work with our customers, but we're not real excited about taking back assets, because the customer's probably the best person to dispose of and get the best price for those. What Steve is saying, though, is somewhat true. I think there will be a lot of work-through of asset valuations over the next one, two, three years. And who will be left holding the bag? I'm not quite sure. But the customer that owns the property is going to have to put a little in, maybe the bank takes some hit on a short sale. It's all across the board as to where that goes.

Now, how does that affect consumers?

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ECONOMIC ROUNDTABLE

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Banks can't just throw money down the well forever, so we have to figure out how to charge higher rates on loans, there has to be a way to survive in these times. If it's the FDIC that takes the hit, the industry, technically, takes that hit, because our cost of FDIC insurance goes up, which we have to somehow pass on to the consumer. People have a tendency to think of banks as an endless bucket of money, but we have our limits too, and so we have to manage what we can take as losses on those properties. I think you're going to see a lessening of property values, cap rates. People are expecting better returns, so that's driving down the prices.

CARROLL: As the non-financial guy here I have to ask, is anybody around this table surprised at what happened last year? I mean, are we just blown away that things fell apart?

McALLISTER: As a financial guy, I'm blown away by how far things have blown apart.

KAWULOK: Yeah, I think the scale of it is more than anyone would have anticipated. And I think we thought, perhaps, in Colorado we had some isolation from that, but we've caught the same flu as the rest of the country. You know, we're not wholly owned inside the state or even inside the cities here. We have ownership ties that go even international. So I think the surprise is probably as to the scale. I mean, everyone was talking about maybe we were building too much, there was too much speculation. I don't think anyone anticipated the fall off the cliff.

TATTI: The signs kind of started in residential real estate, so, Rick, do you want to talk about that?

HAUSMAN: I think our residential construction wasn't as overbuilt as the markets you read about in the paper a lot, because we had a mini-recession in the 2001-02 timeframe, and our appreciation rates were under 10 percent per year, whereas the Los Angeles, Phoenix, Las Vegas areas were over 20 percent, which added fuel to that fire of speculation and overbuilding. So, as bad as it is here, the positive is that it's a lot worse other places; we had a more realistic appreciation rate prior to this current crisis.

One thing Colorado did fairly well was our foreclosure hotline. Local companies have been involved in that — Neighbor-to-Neighbor and what they're able to do for people is astounding — and the rate of return versus the community investment has been great. We

were one of the earlier adopters of that program, first in the nation. So I think we need to continue to fund that.

Two legislative things going forward for the residential industry: the Home Valuation Code of Conduct, there's a lot in the news on appraisals in that process right now. I think we need to focus on the people who actually qualify for loans, to be able to get them the capital they need so we don't slow down the business cycle more, and some of the guidelines in there might be slowing down that process. So, granted, there's probably going to be some government regulation, but we don't want to exacerbate the problem by over-regulating.

And then on the local level, continuing to create a climate where we can encourage startup jobs, and I don't know that our local government sometimes gets distracted from being business-friendly. There's talk, again, of licensing rentals in some areas in Northern Colorado, and that's going to further decrease margins on an asset that may be depreciating in value. So those would be two things that I'd kind of watch for in the next year to two years in the short term, to see if they slow the recovery of the business cycle, or how they're implemented.

McALLISTER: Rick, we actually do see, on a positive standpoint, some construction and some house lots selling. It's not a robust market, but we see that, as a trend, a few of them are starting to sell. We're actually doing a few lower-end construction loans. Not a lot, but there is a little bit of activity in that market. And, obviously, you've got to have Step 1 before you can go to Step 2. And we think there is a little bit of a trend or a positive happening in that area.

HAWTHORNE: One issue that comes up a lot is regional thinking and working across county lines. I know Kelly's technology efforts have been doing that.

PETERS: I am just so excited about that, actually. Having worked in Loveland for seven years for the city, and then Greeley, and now in Fort Collins, I can honestly say, in the last decade, it's been transformational. I mean, we are definitely seeing the parochialism decreasing, and the cities are working together. I have to give the city of Fort Collins a lot of credit. They're very progressive in funding this initiative — RMII — doing major funding. The city of Loveland has come on board, the city of Greeley is a great in-kind partner. But what's beautiful is that someone in Berthoud can call me, a business person that needs help, and now we don't have to say, "Well, we're in Fort Collins, so we

can't help you." We can say, "Absolutely we'll help you. It doesn't matter where you're located in Northern Colorado, we will help you." So in the 10 years I've been in economic development, it's completely 180-degrees different.

HAWTHORNE: And you see that continuing?

PETERS: Absolutely. It's growing. And you can see the positives coming out of that. In '06, when it was the Fort Collins Technology Incubator only, we had six applicants. There are now 18 businesses in the incubator, and it's just growing by leaps and bounds, so "co-opetition" is a new term I really like — a combination of cooperation and competition.

I just made some notes about jobs, because it's so critical to the recovery, and found some more positives. We just completed 30 two-hour interviews of the CEOs of the largest bioscience and software companies in the region, and we asked the question: Do you think that the Northern Colorado economy will be worse, stable, or better in the next three years? And 100 percent of them answered better. Of course, you're dealing with entrepreneurs who are typically optimistic anyway, but that's a good sign.

There's a lot of infrastructure being built surrounding innovation and creation of jobs right now. Taking researchers from the bench to the boardroom is a phrase that's probably overused, but that's a large paradigm shift at Colorado State University. Instead of just concentrating on research and their thesis, they're commercializing, and the University of Colorado is doing the same, so you're seeing a lot of output there.

The reason we weather these storms a little better than the rest of the nation, is that we're diversified. We're concentrating on many different targeted industries. Bioscience, software — it's not all chip design and hardware, you know — we're spreading out and concentrating on other different industry markets, so when one gets the flu, the others can balance that.

KAWULOK: And jobs are so critical to the commercial real estate industry, I don't think you can downplay the importance of having a major research university in our area. I think CSU just broke into the top 50 research universities in the United States. And, of course, they spawned Abound Solar, and Abound Solar is a big consumer of commercial real estate. And so far Longmont, for example, has landed GE Energy, Abound Solar and Therm Corp. Those particular companies are employing a lot of people and using a lot of real estate. Last year Larimer and Weld County, if I

did my math right, lost about 3,000 jobs. Consequently, we have about a million-and-a-half square feet of less-occupied space than we had prior, and that's a pretty big impact on the market. We have about 7 million square feet total vacancy — a million-and-a-half was added in this last year — and you can almost tie it directly to jobs. So the more we can create jobs, we know that will help our industry rebound. So we're very fortunate, I think, to be in an environment where CSU has taken this very proactive approach to their research, and having over \$300 million of research grants last year. I know that will, down the line, translate to jobs in this community.

PETERS: The issue is that these are long-term solutions, you know. Investing in startups and entrepreneurs, they don't create hundreds of jobs immediately. Be patient, what we're creating now in infrastructure hopefully will reap major benefits in the next 10 years.

ARNUSCH: It's the seeds of opportunity for the future. It really is. You talked about regional thinking. For us in agriculture, and maybe for Northern Colorado, our regional thinking has to do with water. Water is the catalyst and the mechanism that drives growth and prosperity, and it's paramount to our future. Last year, in just the South Platte River alone, we gave 67,000 acre feet of water to the state of Nebraska. It was Colorado's water to use, but we had nowhere to put it. We have to start regionally planning for the ability to utilize and store Colorado's natural gift that is our water. Without it, Northern Colorado will continue to divert and pipe water from the prairies to the growing municipalities along the Front Range. We have to begin to approach this water situation regionally.

HAWTHORNE: And that brings up (the Northern Integrated Supply Project), and what's going to happen with NISP in the next year. Is that an uncertainty for farmers?

ARNUSCH: I have to be careful how I

2010
Economic
Roundtable



**Steve
Kawulok**

"And so far Longmont, for example, has landed GE Energy, Abound Solar and Therm Corp."

2010
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Roundtable



**Kelly
Peters**

"There's a lot of infrastructure being built surrounding innovation and creation of jobs right now."

2010
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**Darrell
McAllister**

"We're actually doing a few lower-end construction loans."

2010
Economic
Roundtable



**Rick
Hausman**

"So, as bad as it is here...One thing Colorado did fairly well was our foreclosure hotline."

2010
Economic
Roundtable



**Marc
Arnusch**

"We have to start regionally planning for the ability to utilize and store Colorado's natural gift that is our water."

ECONOMIC ROUNDTABLE

ROUNDTABLE, from 26

say this, but NISP is one of those plans that needs to have a very close look given to it. Is it perfect? No. Is it a good plan? Certainly. However, I think there's much more work that has to go into the NISP plan so that it satisfies all the water end-users' concerns within that drainage. But NISP is not the only water project that Northern Colorado has. It is certainly gaining the most attention in the media, and certainly it's a very controversial issue, especially here in Fort Collins, but inaction is the worst thing that can happen. If NISP had been a plan that was embraced by a broader public, we could have begun to start storing some of this water that's rightfully Colorado's. But if we continue to sit on our hands, more farm ground will dry up as a result. That's all I want to say.

PORTER: I'd just like to ask Dr. Carroll a quick question. Given the presumption that we probably won't see sweeping health-care change on the national level in the next year, how do you feel about the local health-care systems? Are they providing a good, competitive environment to keep costs down, or are they not?

CARROLL: I think you just have to ask the question, what are the health-care costs in Northern Colorado? Are they coming down? And then, can any entity, actually, control that? My biggest frustration with health care is that we're paying a lot of money and not getting a lot of quality. I think we have a great system, but there's the outliers that tend to mess things up. What I'd love to see is more self-regulation. Our whole system needs to say, "Where's the quality? Where's waste? Where's the systems that are not providing good outcomes to our patient?" It's very difficult, when we have the liability issue, to call that out and change it. But I think if we continue to sit on our hands, perhaps the same argument with the water resources, we're in big trouble. And, to me, expecting some regulation or some government entity to fix it for us is insane.

Steve, your question, do Banner and Poudre (Valley Health System) control costs? I don't think they do. But I don't know of any real system that does, because of the complexity. From the positive perspective, there are some activities — the Patient Centered Medical Home and Bridges to Excellence — that are trying to measure quality. If we can measure quality and then find those systems that work, and then figure out a way of bringing the rest of the providers in health care back into that process, I think that's going to be the best phenomenon. What I'd like to see more of is

focusing on quality, focusing on outcomes. Basically measuring what we do, not in the form of widgets and procedures, but in the form of actually delivering health care. And if we can do that, then we can control costs.

I think there's a perverse incentive in medicine, where I make a lot more money when people are sick than when they're well. If we all of a sudden got people to quit smoking and take care of themselves, a lot of cardiologists would go out of business. That's bad for them, good for us. But the perverse incentive is the cath lab and the different systems are basically delivering disease management rather than prevention.

What I'd love to see is, instead of the high-end procedures and hospitalizations, that we focus more on home care and delivering systems to people that cost a fraction of the money. I would say deliver a higher component of compassion and quality, not necessarily all the high technology. But the end result, in my world, is that people don't live forever. And right now we don't have any restrictions on what we do to people near the end of life. What I would love to see is take that huge end-of-life expense, put it into industries that basically deliver a higher quality and higher compassion of care, and I think that would generate a huge amount of work for people, and it would be extremely rewarding and compassionate.

KAWULOK: Our real estate industry received such a shock that I think, Cory, your comment on going to quality, rather than quantity, is the operative factor. There was so much wealth erosion, a lot of people operating on the margin just will not be able to operate in the future. They've already gone down the tubes, or will shortly. I'm not sure if the health-care industry has had a similar shock or not, but I know that the market is going to force a lot more quality in our industry.

HAUSMAN: I had a question for Kelly. Based on the comment you made earlier, and obviously I'm very supportive of your organization and encouraging you to create more jobs, can you give us a reasonable expectation of how many startups actually make it to that five- and 10-year point?

PETERS: The chances of survival after five years in an incubator setting are about 85 percent versus 30 percent if they have no support and they go out and try to just do this on their own. I would say it's going to be a good three to five years before the ones that are really going to see some scalability do. For the people that are coming in and entering now, sure, they're creating jobs, but they're in the research and prototype-building mode, and the majority are not going to be manufacturing stuff for a few years. If we get one home run, VanDyne SuperTurbo as just an example, that could create 300 to 500 jobs, if they do a manufacturing facility locally. But the investment into an incubator doesn't mean these 18 startups are going to create hundreds of jobs now. They're in the hunker-down mode to make it happen. Raising money.

HAUSMAN: That 85 percent is a much higher ratio than I expected.

PETERS: That's a national statistic.

HAWTHORNE: So that would mean maybe 16 would become viable companies?

PETERS: Um-hum.

HAWTHORNE: That's huge. Are there any particular areas that you see, not necessarily taking off, but becoming more important in the next year or so?

PETERS: Biosciences will be critical, because of the infrastructure that's being built up right now. In fact, just earlier this year there was a company looking for 30,000-square-foot of space needing wet-lab space that would have brought quite a few jobs to the area, and there were no facilities ready that we could offer them. That kills economic developers. But with the Research Innovation Center coming online, CSU's incubator for bioscience focusing on infectious disease, that's north of 40,000 square feet of space, that's attractive for great research in bioscience. Our new facility going up will have 3,000 square feet of basic lab space. So bioscience would be one I'd watch. And alternative energy. A Smithsonian historian is looking at this region as being the center of clean energy; I think she compared it to Hollywood with the film industry. So that's exciting. I see a lot of positive things occurring.

HAUSMAN: Steve, even though there's a large amount of vacancy in the commercial sector, do you see a shift in where the demand's going to be?

KAWULOK: Oh, yeah, just what Kelly mentioned, wet-lab space, and research lab space — we've had some call for that as well this last couple years that we can't fulfill locally. So a lot of folks are starting to recognize that and seeing how we can repurpose what we've had, mostly light industrial, to accommodate more clean energy users, because we see the same thing Kelly sees.

HAWTHORNE: What does everybody else see as the one big thing in your industry in the next year? Good or bad?

HAUSMAN: We had a pretty good fall in residential real estate in Northern Colorado compared to the spring, and I think part of that is people's expectations have become more realistic. We've kind of adjusted to the current conditions, realized it's not going to be six months and things are high-flying again. I think last spring a lot of people I talked to were kind of in a wait-and-see mode. I think we've all had to re-evaluate where we are, and so I would hope that, in the coming year, people will go through that process and can make some good decisions that benefit the entire region. That would be my hope, and I think that is possible.

KAWULOK: I'll just tail on that. Commercial real estate, very similar; the expectations of seller and buyer are becoming more aligned than they have been in the last couple years, a lot of it just forced by economic reality. Probably the big thing we'll see in our industry, as I alluded to earlier, would be more evidence of distressed property and disposition of that distressed property.

McALLISTER: I guess we'll see a little bit of what I call it a bottoming or a firming of the banking environment. We see some bright spots in certain residential parts of the market; the commercial market is still very soft. I think in banking it means we'll see consolidation next year, some banks looking to go together to strengthen them. So I think you'll still see some what ends up being a little bit of turmoil in banking next year, but I do think it's a bottoming: staying level and not continuing to decline.

CARROLL: From a health-care perspective, my fear is that we'll see more uninsured, more underinsured. Again, I think the solution in Washington is not conducive to actual improvement, so we'll see more bad debt that'll occur because of the people needing health care and not being able to afford it. The costs of insurance will go up, unfortunately; I just don't see any change to that trend. I'm hopeful that we, as the providers of health care, will respond to that. There's no doubt that if somebody needs a bypass, they can get it. The dilemma's going to be what's going to happen after that procedure occurs, and they have to pay for it. I think we have great physicians here in Northern Colorado, and a good system and caring people. We'll see if there will be some entrepreneurial individuals that will kind of get out of the broken system and re-create the wheel, but it's a hard, hard system to change. Sorry.

HAWTHORNE: So that's it? More of the same?

CARROLL: It is.

ARNUSCH: Well, I'm not a person who would like to end on a negative note, so I'll talk about the positives that I see as coming up in 2010. Farmers are traditionally optimists. We have to be. But we see signs of recovery in the dairy industry, and that, certainly, would bode well for producers all across Northern Colorado, and even up into the panhandles of Nebraska and Wyoming. We have a very vibrant sugar beet industry, and quite frankly, sugar beets are a bright bulb in an otherwise dim picture in Northern Colorado. Even though we have a number of circumstances to overcome in terms of the fallout from New Frontier Bank, I do believe that there's opportunity to be had. Our markets are reasonable. Our costs have come down in many cases. And so as long as the farmer is prepared to go into his bank, develop that relationship with his lender, and be able to secure credit in the future by knowing his operation inside and out and limiting risk, I think 2010 will prove to be a very strong year for production agriculture in Northern Colorado.

2010
Economic
Roundtable



Cory
Carroll

"My biggest frustration with health care is that we're paying a lot of money and not getting a lot of quality."

2010
Economic
Roundtable



Marc
Arnusch

"We have a very vibrant sugar beet industry, and quite frankly, sugar beets are a bright bulb in an otherwise dim picture in Northern Colorado."

COMMENTARY

EDITORIAL

Don't worry, be happy, by the numbers

What do the Himalayan kingdom of Bhutan, French President Nicolas Sarkozy and the Canadian city of Calgary have in common?

They are all looking for a better way to measure the economic health of society than simply tracking the level of production and consumption.

And all due respect to our esteemed regional economist and industry experts trying to get their arms around the Economic Forecast for 2010, the calculations that produce the Gross Domestic Product of a country — or region — do not distinguish between sustainable and unsustainable economic activities. If they did, perhaps the world would not have needed the wakeup call of the Great Recession of 2009.

With all due respect to the GDP, it was never intended as the ultimate driver of national economic policies. It has evolved into the world's über-yardstick because widgets — and their dollar value — are easy to count, regardless of whether they promote the general welfare.

As an alternative, the King of Bhutan instituted the Gross National Happiness Index as his country's official policy-making standard in 2008. It measures 72 variables across nine domains, ranging from homeownership and literacy to number of hours spent volunteering and awareness of local ecological conditions.

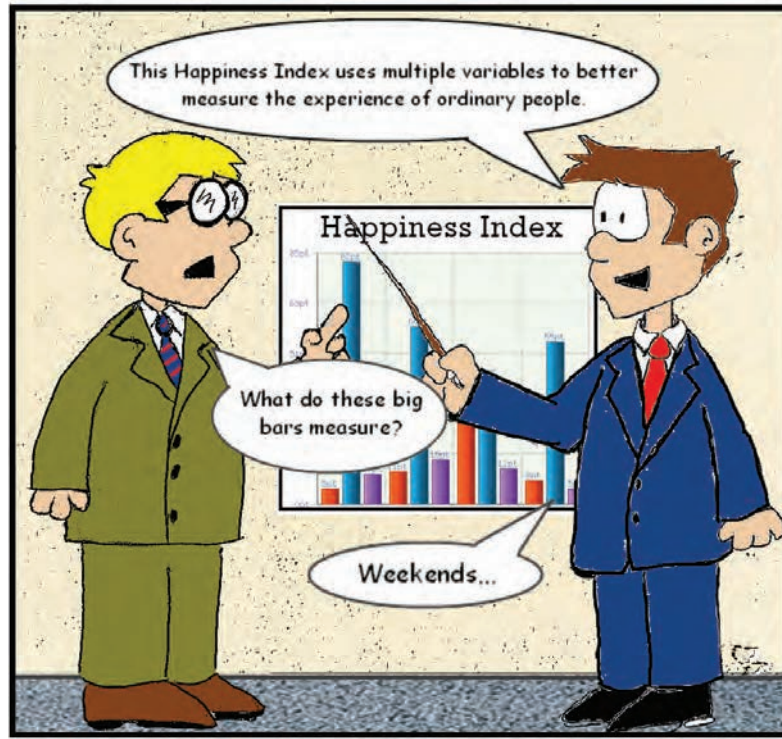
By assessing the balance of a nation's economy as well as its sheer volume, the GNH strives not only to measure but also promote its four pillars: sustainable development, cultural values, environmental conservation and good government.

Whether the GNH will ever replace the GDP globally is doubtful, although some Westerners are trying to adapt the King's ideas to their much larger and more diverse populations. The Sustainable Calgary Society has been tracking 36 social, ecological and economic indicators since 1996, and the Canadian Index on Wellbeing collects data from across the country.

Sarkozy's Quality of Life Commission, designed to move European policymaking beyond simple profitability equations, released its report in September. Among the findings of the commission, which includes Nobel laureates Joseph Stiglitz and Amartya Sen, was a significant disconnect between the GDP numbers and the experience of ordinary people — GDP rising as individual wages fall, for example.

"What we measure affects what we do," according to the report.

For 2010, let's begin to take measure of the gross — and net — happiness factors abundant in Northern Colorado as we move out of the Great Recession into a more sustainable economic future.



Buderus walks through next open career door

By Kate Hawthorne
khawthorne@ncbr.com

After nearly 14 years of taking care of business — and the staff — for the *Business Report*, Lori Buderus closed out the 2009 books and opened a new chapter in her career.

The former associate publisher is now her own boss. Buderus will be using her wide range of financial, accounting and human resource skills as an independent adviser for small businesses in Northern Colorado. Her client base already includes two local health-care firms and others.

"I'm looking forward to new horizons," she said, in her now-empty office. "I'm a survivor, and I always try to stay positive. So many doors have opened since I made my decision to go out on my own."

Buderus brought a unique set of skills to the fledgling *NCBR* in 1996, about a year after co-publishers Jeff Nuttall and Chris Wood launched the publication. The Colorado native had worked on the business side of two small, local publications since her graduation from Colorado State University with a degree in commercial sports in 1983.

"Back in the early days, I did everything," Buderus recalls. "I was the receptionist, tracked all of the ads, proofed the paper, worked with the freelancers. It was totally different back then, but lots of fun."

Buderus made the difference. She set up all the business systems that allowed the paper to not only successfully transition from a monthly to a biweekly, but also to grow to a peak staff of about 25, plus freelancers and independent con-

tractors; add the *Wyoming Business Report* and various events to the operation; and weather the economic storms that rocked the region in the early years of the new century. She's also managed the transition to corporate ownership by Brown Publications of Cincinnati.



BUDERUS

"Lori has been the key behind-the-scenes player in the success of *NCBR*," according to Jeff Nuttall, publisher. "She provided balance between my hard-driving nature and Chris Wood's 'we can turn every good idea into a reality' wishes — in other words, a perfect fit."

She was also the champion of the *NCBR* staff, always looking after their needs and assuring that good policy and communication were in place.

Buderus, mother of two grown children, Hannah and Tony, is also a champion on the tennis court. She holds a 4.5 national rating, and once shared the state title with her father.

While she looks forward to a new career, she admits it's hard to leave so many years behind. "I love the *Business Report* — the products and the events and what the paper means to the community, as well as the people who work here. I'll miss it a lot."

She isn't leaving the family completely. One of her clients is Datajoe, the research arm of the *Business Report* spun into an independent company with her help years ago.

Nuttall, speaking for the entire staff, said, "Lori will be sorely missed by all of us, but now is her time to shine!"

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LETTERS TO THE EDITOR

The 'in' box is open

Write the *Northern Colorado Business Report* to comment on our content or to raise issues of interest to the business community.

Letters must be limited to 300 words. Longer guest opinions may be considered upon request. Please include address and telephone numbers so that we can verify your submission.

The *Business Report* reserves the right to edit for length, and to reject letters that are potentially libelous.

E-mail letters to Kate Hawthorne, khawthorne@ncbr.com or submit comments through our website, www.ncbr.com. Snail mail to 141 S. College Ave., Fort Collins, CO 80524.

First gluten-free food bank opens Tuesday in Loveland

(*Business Report Daily*, Dec. 14, 2009)

Happy to see your story! It's exciting to have Northern Colorado be the launching point of something so important to a family — FOOD.

Any donation is greatly appreciated. Great gluten-free bread and GF pasta are needed.

Thanks for your support!

Dee Valdez
GlutenFreeDee@Gmail.com
Loveland

We look forward to helping initiate what we hope is a virtual avalanche of healthy celiac friendly foods from hundreds of food manufacturers all over the USA. I hope the sincere gesture of giving to help those around us grows to fill food banks shelves so that all celiacs can receive a wide variety of foods if they need assistance in hard times. I am proud that we are involved in such a worthy cause and look forward to the progress we make together.

Richard Schneider
Denver

Cheaper meals appear on NoCo dining tables

(*NCBR*, Dec. 18-31, 2009)

I stumbled upon your article while searching for information on the present location of Brother Mel's BBQ. Brother Mel's is most definitely NOT closed. They are alive and deserving of business in the Prospect Plaza at the corner of Prospect and College.

Paul DeMott
Fort Collins

Editor's note: The phone number for Brother Mel's is 970-224-2833.

Marilyn Meyerhoff hangs up the phone

(*NCBR*, Nov. 6-13, 2009)

Marilyn has never let grass grow under her feet. She has been a hard worker and a great provider for many moons. Her enthusiasm and verve for life have sustained her. I admire her, respect her, and love every bone in her body. I know how she must feel hanging up the phone — she had so much fun with her work.

Marilyn J. Tursky
Reseda, Calif.

Editor's note: Good news for Marilyn Meyerhoff's many fans — she just can't stand to be retired after all, and will be returning to phones for NCBR shortly.

Unemployment figures mark 'turning point' for state

(*Business Report Daily*, Dec. 18, 2009)

I am currently banging my head against the wall for having moved to California instead of Denver last year.

Anthony
California

BLOG COMMENTS

10/10/2010

(*The Business Route Less Traveled*, Carrie Pinsky)

Thank you, Carrie. Something you really made a big impact with me on was your '3 pillar' visioning model (which I thought was brilliant!) you shared with me not long after we first met. I now strive to touch these 3 pillars in my business everyday and will work them into my 10/10/10 goals. As you recall, they are:

1. Community service
2. Helping others become successful
3. Being financially free

It's in finding that one true impersonal goal (not about you) that magic starts to happen and others begin to help you make it happen. If it's all about you, then, I'm sorry, people could care less. The BHAG (Big Hairy Audacious Goal) I have for 10/10/10 is to have 50 authors writing 50 different 50 Interviews titles. And in doing so, I know the impact to the community will be significant, it will help others become successful, and allow me to head toward financial freedom!

Keep inspiring us, Carrie, you are one of the best of the best.

Brian Schwartz
Fort Collins

AGRICULTURE, from 4

the region's largest source of credit to ranchers and farmers, was shut down by the Federal Deposit Insurance Corp. in April.

Whittier said most who once banked with NFB are finding new sources of money for their agricultural operations.

"I think (other sources) are stepping in to a certain extent," he said. "If (borrowers) were solvent, they've been able to move to other creditors. The challenge has been for those with bad loans in tough years. Obtaining loans for them has been a little bit of a squeeze."

Overall, Whittier said farmers and ranchers in 2010 will face the usual challenges of unpredictable weather, crop-shoots on market demands and fuel prices and competition with development for water, a precious commodity growing ever more scarce.

But he sees few intentional cutbacks in production as another growing season approaches.

"There may still be some dairies on the edge that go out of business," he said. "But in crops and non-dairy, I don't foresee much change in crop and animal production. There's always the balance of water and weather, but I think the ag complex in Northern Colorado will remain pretty strong."

NCBR poll watch | A nice holiday bonus this year would be?

\$\$\$ 53%

Gifts 1%

Time off 9%

Holiday party 0%

Still employed next year 37%

Next question:
What do you give the 2010 economy?

Answer now at www.ncbr.com.
Responses will be accepted through Jan. 25.

These results reflect responses to the online poll at www.ncbr.com Dec. 14 through Jan. 11.

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VENTURE, from 11

kets are taking their toll on startups. Even the highest quality opportunities have to expand their search for capital, looking nationally rather than locally for funds, Dwyer said. However, VC firms aren't likely to be looking to stretch geographically in the next year. The NVCA survey showed that 72 percent of respondents planned to remain in their geographical footprints for 2010.

"Early-stage companies will have to find ways to grow without outside resources," he said.

Some companies might have it easier than others just by the nature of their industries. Dwyer points to clean technology and geographic information systems as "hot" industries. The NVCA survey concurs on clean tech, with 54 percent of respondents predicting an increase in investment for the industry this year.

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BANKING, from 11

latory burdens that have no tangible benefit to community banks or to our customers, and on any well-intentioned legislation that impairs access to credit — especially for small businesses and family farms and ranches — the primary customers of community banks."

Community banks in 2010 will be closely watching the health of commercial real estate and the status of regulatory changes, and measuring the possibility of an interest rate hike from the Federal Reserve.

LENK, from 15

just showing up.

"I'm not an easy professor because I don't believe the market is easy," Lenk explained. "If this was just about information transfer, it could be done on a CD at one-hundredth of the cost. There has to be cognitive development and character transformation and increased maturity (in students). What do they want to do in their lives and how do they want to contribute to society?"

Some of her students lent their enthusiastic support for her nomination for the Board of Governor's award, and echoed her self-assessment. Robert Jacobs wrote, "She possesses all of the traits of a great professor. She helped me get into medical school."

Pablo Machado added, "CSU accounting alumni in Denver get together regularly and we agree that she was the toughest professor that we actually liked! We learned more in her class than in others ... including lessons valuable in life after college, like time management, team skills and accurate job expectations."

What they have really learned

Lenk said her classes are not structured. "There are no multiple choice questions; everything is essay. This demonstrates to me what they have really learned. I think the only way to really teach is to drop them into deep water and let them go."

She's proud of the results. "I had one class that came up with a business plan for transportation around campus. Another group created a financial literacy class for a local high school. And, this last year, my Key 192 class of 18 freshmen raised 2,200 pounds of food for the

Larimer County Food Bank. That's more than any other student group has done."

There was more to that assignment than just gathering more than a ton of canned goods, however. "I told them that last year I had 19 students who brought in 1,200 pounds of food," Lenk said. "I said, I want you to beat that. They did a market assessment, mapped out where the activity usually occurred and found areas that were not covered. They cranked — and they beat it."

Just like competition in the real world — and that's the point. "The students now understand that there are valuable market opportunities out there if they are willing to look for them and find what isn't currently being done," she said.

Under Lenk, students come to life. Her students have performed a wide variety of projects for CSU internal auditors, different university offices and departments, Fort Collins and Larimer County government agencies, Poudre School District and dozens of local nonprofit organizations. They have helped train boards of directors in financial fiduciary responsibilities. Her accounting students have created accounting systems and disseminated resources to local nonprofits; her information systems students have created databases and websites. She keeps them active and engaged.

Active and engaged

That's the way her life has been. Born in Buenos Aires, Argentina, Lenk came to the United States when she was very small. Her father, Pedro Lenk, was an engineer who shares many of the patents that helped move the telephone from analog to digital.

Lenk received a bachelor of science in business administration from the

University of Central Florida, a master's from the University of North Carolina at Chapel Hill, and a doctorate from the University of South Carolina. She learned a lot along the way.

"Early in my career, I was programming banking software for an organization in Florida and they allowed me to run a beta test," she recalls. "And I discovered serious embezzlement. I became interested in how we could set up an office and put in checks and balances so you can detect something like this as early as possible."

That developed into an interest in psychology and the behavioral implications of accounting systems. Eventually, her desire to teach won out and, in 1991, she joined the CSU faculty.

"I'm honored to be working for CSU because we are a land-grant institution and we have the foundation to become a university of the next century," she said. "By teaching critical thinking, communication skills, cross-cultural and cross-generational approaches, we can impress on our students that they will be able to embrace the issues of our society and become leaders and develop solutions."

She also believes that women are an important resource for the future, but she has a word of caution: "Don't act like men. When we do that, we lose ourselves. Smart, hard work always rises to the top, but you have to stay focused and remain consistent."

"It may seem like it takes an unfair amount of effort because you're a woman in a man's world, but since over 50 percent of all college students in this country are female, that's changing. And I truly believe that the world needs us and what we bring to the table," she said.

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JIM EDWARDS

INNOVATION, from 15

however, it is very important in an uncertain world.

Redefine growth

If you are resolved to improve your results in 2010, redefine growth. We have traditionally defined growth as expansion. Growth was about more customers, revenue, products, and market share. Perhaps in the new world we should consider a new view of growth.

Instead of expanding, let's consider growth a maturation process, growth in the organic sense. This means we could enhance relationships with existing customers, update and improve existing products and services, and improve service to customers.

Think of growth as a process of enrichment that positively impacts staff and customers. Cross-training has always been a distant goal, and leveraging the full capabilities of existing technology is always an opportunity. Look at growth as a way to sink the roots of your success deeper by expanding knowledge and expertise.

Redefine innovation

If you accept that working longer and harder is no longer an option, redefine your view of innovation. What does this mean? Make innovation a form of continuous improvement. Review what you do, how you do it, and in the process you will define the right work.

This analysis will help you reclaim capacity that is being used in areas that no longer contribute to desired outcomes. Seeking out both waste and opportunities for greater efficiency is a process that will renew, inspire and renovate your business. Those who innovate in this way will deepen their expertise and have a clearer understanding of operations.

Understand sustainability

If you are committed to thriving in 2010, make a resolution to understand what sustainability means to you. How will you insulate your business from the uncertainties of the current economy?

I would suggest that you begin to plan from the present with the future in mind. This means that you begin to see success as a process that you manage. In the past we have had the luxury of being able to rely on an ever-growing economy. That is not a given today.

In order to make your business plan sustainable you need to develop scenarios of possible future outcomes. There could be multiple levels of success: A scenario that maintains current customers and staff could be one. Another could be modest growth of revenues while maintaining current staff, and, finally, controlled growth that increases revenues and might create jobs.

How will you develop these scenarios? You will need to align your planning process to one that is based upon realism and truth. Realism means that everyone must tell the truth about how things are today. The organization's responsibility to realism requires creating an organizational climate that encourages the truth to surface.

There is a need to collect data about "recent" results in service delivery, revenue, costs and customer service quality. With data to track results and reality-based decision-making in place, the planning process can successfully forecast trends and future possibilities.

With the sustainable plan in place, your organization will be more agile as conditions shift and change. You can predict costs, retain staff, and in the event of significant growth, be prepared to staff up. You create the opportunity to leap-frog the competition.

These three resolutions are a formula for a positive response to reality. It means slowing down, doing the right work, and continuously improving.

As I worked with a variety of clients in 2009, these actions produced viable results operationally, and strategically, the plan prepares the business for a more predictable future.

These resolutions allow you to be prepared, stay real, and maintain a course in any economic weather.

Shirley Esterly is a master facilitator and systems thinker who works with clients to build sustainable business practices. She can be reached at sae@quantumwest.com.

SCHOCK, from 3

to practice," she said.

Schock said so far McKee is doing well, despite the presence of nearby Medical Center of the Rockies, opened by rival Poudre Valley Health System in 2007 in the Centerra development. "We're actually doing very well," she said. "We have the employed (physician) model and the independent physician model. Certainly, there's shortages in some physician specialties but we think we do well in bringing in the people we need."

Schock said another challenge looming for McKee is to expand its services and keep growing. McKee recently added several new pieces of medical technology, including the DaVinci robotic operating system and a second state-of-the-art CAT scanner with 40 percent less radiation exposure. And while MCR has so far not cut into McKee's patient numbers, growth has slowed.

"To be stagnant is not where we want

to be," she said. "To be frank, we need to grow."

That's where Banner's investment in new technology for McKee has come into play. "A big part of it is the physicians see a change in outcomes (with new technology). And just the general community is demanding it. People want to come to McKee and we want to provide as many services as we can."

Schock said she's concerned about the effect the ongoing economic downturn is having on people being able to afford to go to the hospital. Already, more and more are not able to pay for the services they receive, she noted.

"I think we will see an increase in our uninsured and underinsured," she said. "A \$5,000 deductible is tough for anybody. We need to really focus on preventative care and help keep people healthy because once they're sick, it's not cheap."

Schock, a Cody, Wyo., native, said she loves McKee and calls it "home."

"This hospital is a gem. When you walk in the door, there's a community feel, that somebody cares about you," she said. "We call it the McKee Magic."

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A hearty round of applause goes out to the following Fort Collins businesses for outstanding environmental stewardship and reducing greenhouse gas emissions. Join the city's Climate Wise Program in thanking these innovators for making our community a greener and healthier place to live:

Platinum Partners



Anheuser-Busch *photo by Ryan Maier*

Recycled or re-used 99% of solid waste stream. A new environmental tours program will be offered to all full-time employees to increase awareness about environmental impacts and how to reduce them at work and at home.



Café Ardour *photo by Ryan Maier*

Decreased vehicle use by approximately 6,500 miles through continued use of bicycle deliveries for bagels, burritos, recycling, errands and employee transportation. They also became a climate neutral business in 2007.



Avago Technologies *photo by Ryan Maier*

For the third consecutive year, they reduced electrical consumption by approximately 2%, despite increases in production. They also converted 8 acres of asphalt on their property to native grasses, bushes and trees that will eventually need zero irrigation.



New Belgium Brewing Company, Inc. *photo by Ryan Maier*

Demonstrated a 50% reduction in HVAC and lighting energy use compared to ASHRAE standards in their new packaging hall. They also powered the "Tour de Fat" trailer with a solar photovoltaic system.



Compliance Partners /Seven Generations *photo by Ryan Maier*

Compliance Partners' Sunstone office building was the first to pursue LEED-EB certification in Fort Collins. In addition, Seven Generations' office building was the first certified LEED-CS Platinum building in Northern Colorado.



Land Images, Inc. *photo by Ryan Maier*

Developed SCALES™, an internal office design process to help ensure that designs contribute positively to the community, environment and economy. They also created *Tips and Tricks for Sustainability Development*, a community outreach program to provide practical information and references on how to start adding sustainability to projects.



Clean Air Lawn Care *photo by Ryan Maier*

Reduced 125,000 lbs. of pollution by switching customers from gas mowers to electric equipment and through carbon offset purchases. They also developed the "Clean Lawn Calculator" to calculate pollution associated with individual lawn care method.



Poudre School District *photo by Ryan Maier*

A recognized leader in public school energy and environmental stewardship since 1994, PSD continues to be among the top energy efficient school districts in Colorado. To date, they've completed 140 energy efficient projects with a one-time savings of over \$1.88 million and ongoing annual savings of \$437,000.



The Neenan Company *photo by Brad Randall*

Installed a Green Roof on a portion of the company's roof. Through their employee challenge program, "Dude Where's My Trash Can", the company has decreased CO₂e associated with waste reduction by 86%.



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