

### Hospitality industry looks forward

Vacant spaces filling, eateries expanding

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# Northern Colorado BUSINESS REPORT

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## NEWS



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## LIST

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# F.C. design standards in crosshairs

## Council to vote on new rules for redevelopment

By Steve Porter  
sporter@ncbr.com

FORT COLLINS — The long-simmering and contentious issue of how redevelopment should

occur in Fort Collins' Old Town core residential areas may be resolved by city council in January.

Council has scheduled a first-reading vote on new design standards for the areas on Jan. 4 and could take a final vote at its next meeting on Jan. 18.

The hot-button issue revolves around whether property owners should be able to exercise their right to redevelop their property

with a new home or home expansion that may not fit into the Eastside and Westside neighborhoods. City rules and guidelines have pledged to maintain the historic character of these core areas.

It's a question that has been hanging over the neighborhoods for years, but has come into sharper focus recently as some property owners have scraped off small, crumbling houses and replaced them with massive new

homes, some of which take up the entire lot and clash with the rest of the houses on the block.

The Fort Collins Board of Realtors recently weighed in on the issue, declaring their support for a modification of the city's current Floor Area Ratio standards and policies that would "eliminate or significantly reduce" the number of size variances allowed by the current

See STANDARDS, 7

# 2011 looks like rehab year



## Region's businesses ready to accept new normal

Uncertainty. Challenges. Slow recovery for those who are already lean and mean.

That's what's in store for the Northern Colorado economy in 2011, which should be a better year than 2010 — and way better than 2009.

To discuss the shape of the coming year, as well as what

we've been through in the past 12 months, the *Northern Colorado Business Report* assembled a group of industry experts to sit down on Dec. 6 in the conference room at First Western Trust Bank in Fort Collins.

Larry Wood, chief lending officer at First National Bank, rep-

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## The road ahead

Starting on page 4, examine how Northern Colorado's economic sectors are shaping up for 2011.



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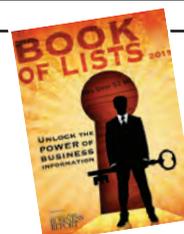
2011

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# Companies team up for high-tech map quest

## Numerica develops new GIS software with TechniGraphics

By Joshua Zaffos  
news@ncbr.com

LOVELAND — When it comes to digital images, most people are familiar with jpeg files, which can capture plenty of detail for cell-phone pictures and Facebook photos. But for pilots who need to download images quickly in order to read a 3-D map of a city — to discern military targets or ground hazards — jpeg files can come up short.

Or as Jeff Poore, president of the Loveland-based information-sciences firm, Numerica Corp., said, “They’re great for pictures, but not for flying.”

Numerica concentrates on scientific and mathematical problem solving. In a partnership with TechniGraphics, a geospatial-services company with Fort Collins offices, it has developed new GIS — geographic information system — technology that can decompress and produce accurate three-dimensional digital maps and then wirelessly stream the data to mobile devices.



POORE

The advance, called GIS Encoder, is the latest government-contract success story for both small companies, and the product is moving forward just as the firms are each going through a major growth spurt.

### Maps for government work

Headquartered in Wooster, Ohio, TechniGraphics was founded in 1982 and now has offices in Fort Collins and Madrid, Spain. Specializing in digital mapping, data conversion and geospatial engineering and design, the company’s principal work has been through government contracts for defense and intelligence agencies. Since 2003, the company has been one of six prime contractors to the National Geospatial-Intelligence Agency, and the smallest of the group.

Rapid growth in revenue and staff size has earned TechniGraphics yearly recognition on the Inc. 5000, a list of the fastest growing small companies published by Inc. Magazine. According to the latest list, released in August, TechniGraphics grew 71 percent between 2006 and 2009, when it counted 600 employees and \$50 million in revenue.

The steady expansion didn’t go unnoticed by larger companies, several of which began expressing interest in acquiring TechniGraphics in 2009, said Dee Vaidya, who, with his wife, Mary, purchased the company in 1994.

A banker helped executives evaluate roughly 60 potential suitors before even-

tually introducing TechniGraphics to CACI International, a worldwide IT company with 120 offices and 13,000 employees that also caters to government defense and intelligence.

“We have very complementary skills, so the kind of work we do fits very well,” said Scott Simmons, TechniGraphics’ executive vice president for technology, based in Fort Collins.

The deal should enable personnel from TechniGraphics to continue digital mapping and imagery work, including new opportunities to work on classified projects. The companies closed the deal November 1. According to CACI’s quarterly filing with the Securities and Exchange Commission, the acquisition of TechniGraphics and Virginia-based Applied Systems Research Inc. is worth approximately \$127.5 million.

“What this does is allow us to play on a much bigger field,” Vaidya said.

The merger should not have any negative effects on staffing at TechniGraphics’ Wooster and Fort Collins offices, where the CACI name will now be used.

### Spinoff from CSU work

Numerica has also boomed in the last few years, reporting a 154 percent increase in revenue over the past four



SIMMONS

years. Colorado State University math professor Aubrey Poore founded the company in 1996, as a spinoff of applied mathematics work he was doing with IBM at the time on missile tracking defense. The university encouraged Poore to commercialize his technology and apply for patents, and Numerica has emerged as a for-profit research company that generates extremely complex algorithms to account for objects’ movement through space.

Clients have included Lockheed Martin and Northrup Grumman and, since 2002, the company has proven successful at earning government Small Business Innovation Research grants to support R&D and look for commercial applications. After concentrating on military and missile defense projects, Numerica has widened its focus to include cyber security, chemical detection, “space junk” inventories, and GIS. The company recently added three new employees and is hiring another dozen, and has just opened a Pasadena, Calif. office.

“We’re trying to stay true to our core competencies, and apply them to different markets,” said President Jeff Poore, son of founder Aubrey Poore.

The GIS Encoder software fits right in with those ambitions. The technology will address a dangerous shortcoming for military pilots flying over urban environments. Typically, image data that

See NUMERICA, 16

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# THE EYE

## 'Almost' is still all right

It's been a year when no one can seem to catch a break. This includes two members of the *Northern Colorado Business Report* editorial staff.

Journalists are said to be some of the best Trivial Pursuit players around, so it came as no surprise when *NCBR* Editor Kate Hawthorne tried out for the ever-popular "Jeopardy!" television game show and earned an in-person audition.

It's true. They sent her home with a replica of the on-screen buzz-in button – that doubles as a ballpoint pen – so that she could practice for the day when she would stand before Mr. Alex Trebek and win more money than that Jennings guy.

But a year went by and Trebek never called. How about, "Your loss, Jeopardy!" for \$500, Alex? Or maybe they just wanted to keep all their lovely parting gifts for themselves.

This summer, **Colorado AARP** held a contest to find a new jingle to be used on the retirement organization's YouTube page. Yeah, the over-50 crowd is the fastest-growing online demographic, you know.

An outstanding guitarist and singer, *NCBR's* staff writer Steve Porter wrote and performed the winning jingle.

It's true. They sent him home with a cash prize. However, shortly after the prize was spent, by coincidence, AARP informed Steve that they would not be able to use his jingle after all due to his different pronunciation of AARP. The oldsters were nice enough to at least let him keep the prize, though.

The Eye would like to applaud these two for their amazing accomplishments because fame and fortune is not the only measure of talent.

# Community Foundation finding homes

## Homeward 2020 takes initiative to end homelessness

By Steve Porter  
sporter@ncbr.com

FORT COLLINS — Many people living in Fort Collins might think there isn't much of a homelessness problem in the city.

Shoppers bustle through the busy downtown and picture-perfect malls, intent on purchasing that needed item. Life in the suburbs goes on as always, with people coming and going all day and lights beaming out from cozy homes on cold winter evenings.

F O C U S

# Quit your day job to be an artist?

## Local artpreneurs create for a living in small businesses

By Michelle Venus  
news@ncbr.com

Fort Collins artist Amelia Caruso stands in front of a dozen of her peers at ArtLab on a Sunday afternoon in November. She's conducting a workshop that will help artists more successfully market and sell their work.

"It's your responsibility to become educated and prepared," she tells the group. "Business is business is business, and art is your business. Right brain, left brain. Don't pay attention to that. Pay attention to the math."

Caruso starts with the basics, beginning with an explanation of business terms: profit and loss, expenses, fixed costs, the difference between wholesale and retail sales. She then goes on to define branding, advertising and marketing.

"Branding is how you present yourself to increase the perceived value of your art and yourself. That needs to be consistent," she said. "Galleries should have no questions about who you are and what your art is about."

Caruso encourages artists to look at different ways to sell their art. That might mean creating passive income through licensing. With that exposure, though, comes risk. Digital images are constantly popping up on the Internet without the artist's permission.

"If you don't copyright your work," she tells the workshop participants, "it's much harder to address the problem and get the other party to stop using your images. With it, you have some leverage for recourse."

Caruso teaches the workshop from her own experience. After graduating from the Art Academy of Cincinnati with a fine arts degree, she felt unprepared to make a living.

"Art schools just don't teach marketing, business principals or accounting," she

But hidden from sight most of the time is the plight of the homeless — those who have lost their home due to foreclosure, job loss, family break-up or some other personal calamity.

And then there are those who, because of substance abuse or mental problems, wander the streets with no place to call home, living on the edge of survival.

In November, volunteers walked the downtown area for a week to try to get a feel for the homeless situation. Volunteers interviewed 229 homeless people, one of the first steps undertaken by Homeward 2020, an initiative of the Community Foundation of Northern Colorado. Its goal is to eliminate or drastically reduce the number of homeless people in the city by 2020.

Bryce Hach, Homeward 2020's executive

director, said the people counted in November were the chronically homeless, mostly single men and some women who have trouble functioning in society, due to alcohol or drug addiction or mental health issues.



HACH

Hach said that group of homeless, who often end up sleeping someplace unsafe and cold, repeatedly put themselves in life-threatening situations and live an average 20 to 25 years less than people with homes.

Hach said the lifestyle of this group often results in arrest, noting that 36 percent of jail inmates interviewed said they had been homeless during the year prior to

See **HOMEWARD**, 27



Michelle Venus, Northern Colorado Business Report

**ONE OF A KIND** — Paula Montgomery creates handmade jewelry from found items and sells the pieces through her Fort Collins company, On (Re)Purpose.

said. "They send students out without an understanding of how to be successful with what they've just spent four years learning. Society doesn't expect artists to be business people and that's a failure of society as a whole. Do you know where I got my MBA? Domino's Pizza. I was a manager there, and that's where I learned how to run a business."

Like Caruso, many artists have "day jobs." Although she invests 40 to 50 hours each week in her art, Caruso also works in the resale department at Waste Not Recycling, and not just for the paycheck. "I enjoy the social aspects of going to work," she said. "I've also had cancer twice. The insurance benefits are very important to me."

Here are two local artists who have quit their day jobs to make a living at art.

### Dean Russell Thompson

Three years ago, Dean Russell Thompson started his second career after working as a software engineer for more than 25 years.

"Engineering just wasn't fun anymore

and I wanted to go to something, not away from something," he said. "So I went back to school for my BFA and opened the studio."

He and his wife planned for the change that meant going from a six-figure income to virtually nothing.

The studio is Copper Plate Press in Loveland. Thompson admits it's been challenging with such an unstable economy. Still, the emerging artist has been featured in nearly a dozen shows across the country and is represented by a gallery in Nashville.

"I am everything," Thompson said. "First, I am the artist. After that I am the marketing director, the sales rep, the janitor, shop manager and bookkeeper. It's a balancing act."

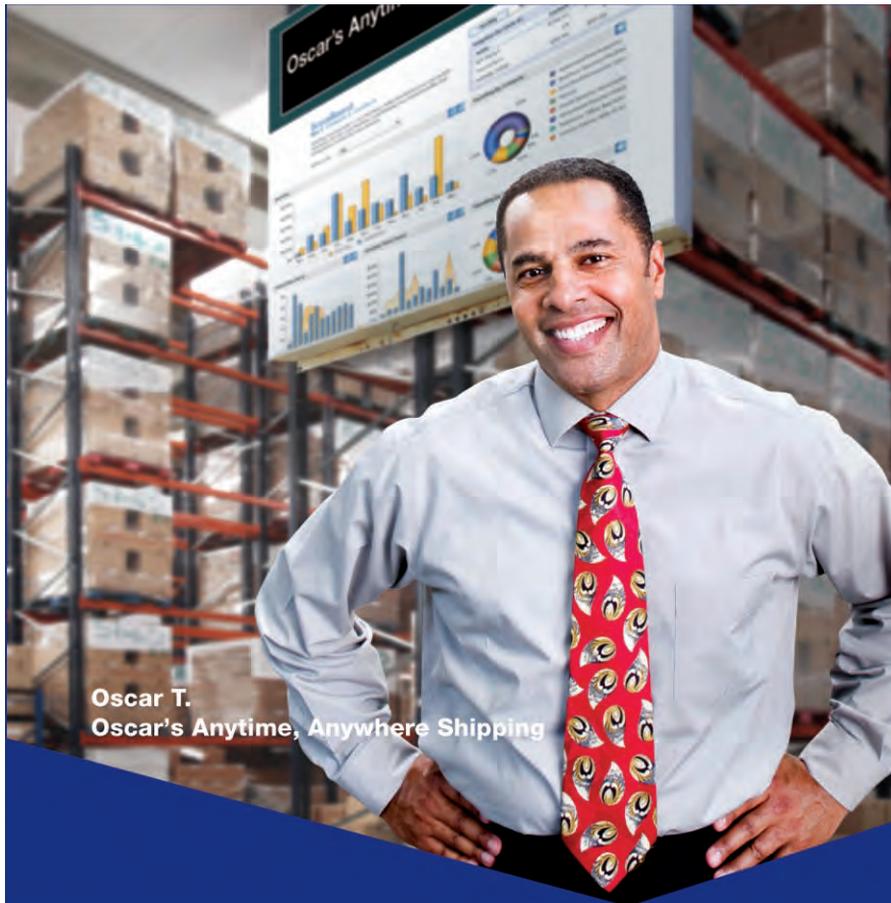
A strong business background with exposure to market development and financials help Thompson approach his art as a serious business.

"I don't think the business side plays well to many artists' strengths," he admitted. "They need to be analytical and devel-

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# Jobs could pick up in second half of year

By Anne Cumming Rice  
[news@ncbr.com](mailto:news@ncbr.com)

News on the employment front in Northern Colorado was mostly disappointing in 2010 as the unemployment rate increased, but things may be looking up for 2011.

“For the first six months of next year, I think we're going to see this slow, drip, drip, drip kind of recovery,” said Martin Shields,

associate professor of economics at Colorado State University. “But by the second half of 2011, the recovery should be under way.”

The federal government's stimulus packages promised to be “bridge” funding until the economy started rebounding. That funding is coming to an end, though, and the country and Northern Colorado have yet to see an improvement in unemployment rates.

In November, Larimer County's unemployment rate was 7.3 percent, up from 6.9 percent in October and 6.1 percent last year. Weld County's rate was 9.6 percent in November, also an increase over October's 9 percent rate and 8 percent last year.

Statewide, the unemployment rate was 8.6 percent in November. Nationally, it was 9.8 percent.

It was a busy year at the Larimer County Workforce Center, where those receiving unemployment insurance must register. The center provides workshops and resources for jobseekers.

The number of people who used the center was down slightly compared to 2009. Unemployment claimants were also down, and the number of job listings filed at the center were up compared to last year.

“Jobs do seem to be coming back, but it's very sporadic,” said Maureen Harter, development director at the Workforce Center. “Wages are definitely down. People are starting to return to work, but they're not returning to the same wages.”

But compared to the rest of the nation and Colorado, things in Larimer County look pretty good, said Lew Wymisner,

assistant director of the Workforce Center.

“We've had a diversified economy in Larimer County for the past 25 years,” Wymisner said. “We're not a steel town like Pittsburgh. We can take a hit in one sector and not have it devastate us.”

Among Larimer County's largest business sectors, manufacturing has been affected the most by the recession. Some of those jobs are coming back, though, at companies like OtterBox, which manufactures protective covers for handheld technology. The 200-employee company hired about a third of its workforce this year alone.

## Better times ahead

Other indicators also point to better times ahead – although progress is slow.

“It used to be that for every good report about jobs or the economy, we'd get a bad report,” Shields said. “Now there are two good reports for every bad one.”

The average person starts to feel the effects of the recession lifting when those good reports come at work — orders start to increase, managers say they are feeling good about the future and furloughs become a thing of the past. But the key to that is an increase in consumer confidence.

“Seventy percent of the economy is individuals consuming,” Shields said. “But you can't spend unless you have a job.”

Future job growth won't likely come from large companies adding positions or big employers moving into the region. The key to economic recovery is small business, Harter said. In 2008, 76.6 percent of businesses in Larimer County had fewer than 10 employees, Harter said.

“People tend to look at the larger employers as the source of job growth,” she said. “But people really need to be looking at small businesses.”

Shields agrees.

“The real recovery is going to be a bunch of little companies adding a few people at a time,” Shields said. “It will be the young entrepreneurial, not necessarily the flower shops or the restaurants. The wonder case here in Fort Collins has been OtterBox. The question is, ‘Who is going to be the next OtterBox?’”

## C O R R E C T I O N S

On the Largest Residential Real Estate list published in the 2011 NCBR Book of Lists, Re/Max Alliance Group ranked fifth based on 2009 sales figures from the Loveland location only. Dollar volume of local sales for all Re/Max Alliance Group locations in Northern Colorado was \$528,369,402 in 2009, which would have placed the company second on the list.

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# Region's agribusiness sector thrives in 2010

## Banner harvest, progress in meat, dairy mark year

By Steve Porter  
sporter@ncbr.com

All in all, Northern Colorado agribusiness had a good year in 2010, with a banner harvest for most crops, construction of a cheese factory getting under way in Greeley, and a major merger for the area's biggest meat producer.

The dairy industry has been ailing not just in Northern Colorado but across the nation. Local milk producers got a huge boost of hope when Leprino Foods finally began construction this summer on its new mozzarella production facility in Greeley.

The facility, which will eventually total more than 880,000 square feet, will start with a 127,000-square-foot building to produce powdered milk, scheduled to open in 2011. The four-phase project, expected to eventually employ up to 500 people, will be completed over the next few years as market conditions allow, according to Mike Reidy, Leprino vice president.

At full build-out the factory is expected to consume up to 7 million pounds of milk daily and provide a welcome partner for local dairies struggling with low

milk prices the last couple of years. Denver-based Leprino has a contract to buy its milk from local dairies that are part of the Dairy Farmers of America cooperative.

Greeley-based JBS USA — a subsidiary of Brazil-based meatpacking giant JBS S.A. — took some more giant steps in 2010. The company merged with Pilgrim's Pride, the nation's second-largest chicken processor, and between 300 and 400 Pilgrim's Pride management employees moved from Texas to Northern Colorado this year to work out of the JBS USA headquarters in the Promontory development in west Greeley.

The company also opened a new JBS Carriers trucking facility in east Greeley on U.S. Highway 85, where about 200 truckers and office workers will be based. And JBS moved to advance its U.S. cattle-feeding capacity in 2010, entering into an agreement last summer to buy Arizona-based McElhaneey Feedyard, which can feed up to 130,000 cattle at a time.

The purchase, which is still awaiting regulatory approval, was made through Loveland-based Five Rivers Cattle Feeding LLC, acquired by JBS in 2008. Five Rivers has 10 feedlots in five states capable of feeding up to 800,000 cattle.



Agriculture

As 2010 wound down, Johnson Dairy near Eaton, once one of the state's biggest dairies, was poised to emerge from Chapter 11 bankruptcy. The dairy, owned by John D. Johnson and at one time boasting more than 10,000 cows, filed for bankruptcy in January 2009 and declaring debts of more than \$50 million.

The dairy, which grew rapidly in the early 2000s, received several loans from the now-defunct New Frontier Bank in Greeley. Johnson claimed the bank pressured him into taking loans he didn't need and couldn't repay.

In October, a federal bankruptcy judge approved a reorganization plan for the dairy to continue operating to pay off the remainder of its debts and give the operation a new start.

### Timely moisture produces big yields

After a dry beginning, the region began getting plentiful moisture in March that resulted in banner harvests for most local crops. Corn, wheat and sugar beet growers in particular brought in bountiful crops, with Mark Sponsler, executive director of Colorado Corn, saying in late October that the state was poised to "have one of its best (corn) crops ever."

Winter wheat also was expecting a record or near-record crop for the year, with an average 45-bushels-per-acre yield that was the highest ever recorded in Colorado.



The region's wheat farmers got some more good news in November when Limagrain, the biggest plant breeder and seed producer in Europe, announced it had selected Fort Collins for its American headquarters.

Frank Curtis, Limagrain Cereal Seeds executive vice president and COO, said the company would be setting up wheat-research and seed production networks all across the nation with Fort Collins as its hub. Curtis said one reason for the selection was Colorado State University's highly regarded wheat research program.

And while the region's sugar beet growers also reported an above average year, that accomplishment was clouded by a court decision in August by a federal judge in California. He ruled that genetically modified beet seed developed by ag giant Monsanto to be immune to Monsanto's Roundup herbicide could not be planted in 2011 pending further review by the U.S. Department of Agriculture of possible side effects.

The ruling left beet growers struggling to decide how it would affect their 2011 planting plans.

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Northern Colorado **BUSINESS REPORT**

# Health care in transition phase in 2010, 2011

## Federal reform, cuts in funding, systems' rivalries to continue

By Steve Porter  
sporter@ncbr.com

It was a mixed bag for health care in Northern Colorado in 2010, with new facilities opening and announced, new federal provisions to deal with and a continuing and sharpening rivalry between the region's two major health-care systems.

And those trends are likely to continue through 2011.

The year just ended saw numerous changes in the national and state health-care landscape, as reforms under the federal Patient Protection and Affordable Care Act signed by President Obama in March began to take effect.

Although full implementation of the plan won't occur until 2014 and beyond, changes began to take place in 2010 that included children being able to stay on their parents' plan until age 26, no exclusion of insurance coverage for children with pre-existing conditions and no cancellation of insurance due to high claims.

The year also saw Colorado's beginning steps toward setting up insurance exchanges, where small businesses and other consumers could shop for cover-

age. The exchanges are expected to be fully operational at the state level by Jan. 1, 2014. The exchanges are also intended to increase competition between insurers by requiring them to offer packages that can be more easily compared for cost and benefits.

The federal reform is expected to bring in millions more insured people into the system, requiring more professionals to deliver the care, which translates into more jobs. But in the short run it's predicted to create shortages in some areas of health care and strain some delivery systems.

In Northern Colorado, the overriding story of 2010 was the continuing, bruising rivalry between Fort Collins-based Poudre Valley Health System and Phoenix-based Banner Health. Both are jockeying to align with delivery partners in anticipation of a much more competitive health-care landscape.

PVHS landed a devastating blow in April when it was announced that Greeley Medical Clinic — one of the region's largest physician group, long associated with Greeley's North Colorado Medical Center — had decided to align itself with PVHS. In July, another longtime independent Northern Colorado specialty practice — Cancer Center of the Rockies — was added to PVHS' growing number of partners.



Health care



### New projects, raising profile

That was followed in August with an announcement by PVHS and Longmont United Hospital of a 50-50 partnership in the construction of a new medical campus in Frederick, in rapidly growing southwestern Weld County.

"Our two organizations decided it was more beneficial to work together," said PVHS CEO Rulon Stacey in announcing the partnership.

Banner's NCMC had announced the creation of a similar campus in the same vicinity in early 2008 but shelved those plans as the economic crisis began to take shape.

PVHS and LUH officials said they planned to have a groundbreaking for the 70-acre site in the second quarter of 2011 and open the first building of the new campus a year later.

In late November, PVHS opened the Poudre Valley Medical Fitness Center at the Marina Health Campus in Water Valley in Windsor. The \$16 million facility was designed to serve as both a fitness center for the able-bodied and a therapy-recuperation facility for patients seeking to recover mobility after treatment.

While PVHS was having an active year, Banner was also raising its profile in Northern Colorado. In September, Banner announced the grand opening of its \$8.8 million David Walsh Cancer Center at its Sterling Regional MedCenter campus, and revealed plans to build a new medical campus in north-eastern Colorado between Brush and Fort Morgan.

Banner also announced in November that it had leased the former Crop Production Services building in west Greeley to house about 185 employees formerly located in the Chase building in downtown Greeley.

But Banner also faced challenges in 2010. As the year drew to a close, Banner Health, which owns McKee Medical Center in Loveland and has a contract to operate NCMC, announced it was laying off 334 employees in Arizona and freezing the salaries of its 35,000 employees in seven states, including Colorado. The move was taken in large part, according to Banner President Peter Fine in a letter to employees, because of declining Arizona Medicaid reimbursements to Banner projected to result in a \$100 million reduction in the system's 2011 budget.

Banner officials said they did not know if the projected budget shortfall would result in job cuts in Northern Colorado in 2011.

By contrast, PVHS employees at Poudre Valley Hospital and Medical Center of the Rockies received 2.3 percent pay raises at the end of 2010.

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## STANDARDS, from 1

review process.

Sean Dougherty, FCBR president, said the city has contributed to the problem by allowing too many variances in the neighborhoods.

“There are homes that have become the focus of the drive for changes that have had variances issued,” he said. “The city should not be complaining about homes that they made exceptions for.”

Dougherty said the FCBR would like to see the council adjust the current standards downward “to an appropriate cap based on lot size and on a sliding scale.”

Dougherty said the FCBR is opposed to a new redevelopment proposal called Average-Plus, which would allow a house to be expanded based on the average size of existing houses on the block plus 50 percent or 2,000 square feet, whichever is greater — as long as it doesn’t exceed the current Floor Area Ratio limitations for that zone.

“The implementation of that formula could end up being ridiculously difficult to understand and also very time-consuming for staff,” Dougherty said.

Megan Bolin, city planner, said the city considered modifying the current Floor Area Ratios but decided to go with the Average-Plus option.

“That was one of the options that we did consider through the process, but it was thought that using the Average-Plus concept was a better approach,” she said.

But Bolin said the city recently met with members of the board of realtors and made the promise to present both approaches at the Jan. 4 council meeting.

“After meeting with the board of realtors, we made the commitment to examine both options at the Jan. 4 meeting so

both would have a fair chance,” she said. “There’s merits to both.”

### Flexibility needed

Steve Mack, a property owner in the Westside neighborhood and a member of the citizen advisory committee that’s been advising the council on the issue this year, said he favors the Average-Plus option.

“I think it’s important to look at the block face and try to build a little more consistent house,” Mack said. “I think it will allow for some restrictions on the overall size of the house that was not there under the existing code but will, at the same time, leave some flexibility.”

Mack said the Average-Plus concept is not likely to keep those who want a larger house from getting it. “The obvious point is if there really is a 2,000-square-foot ceiling in there, you’d still end up with a very large house,” he said.

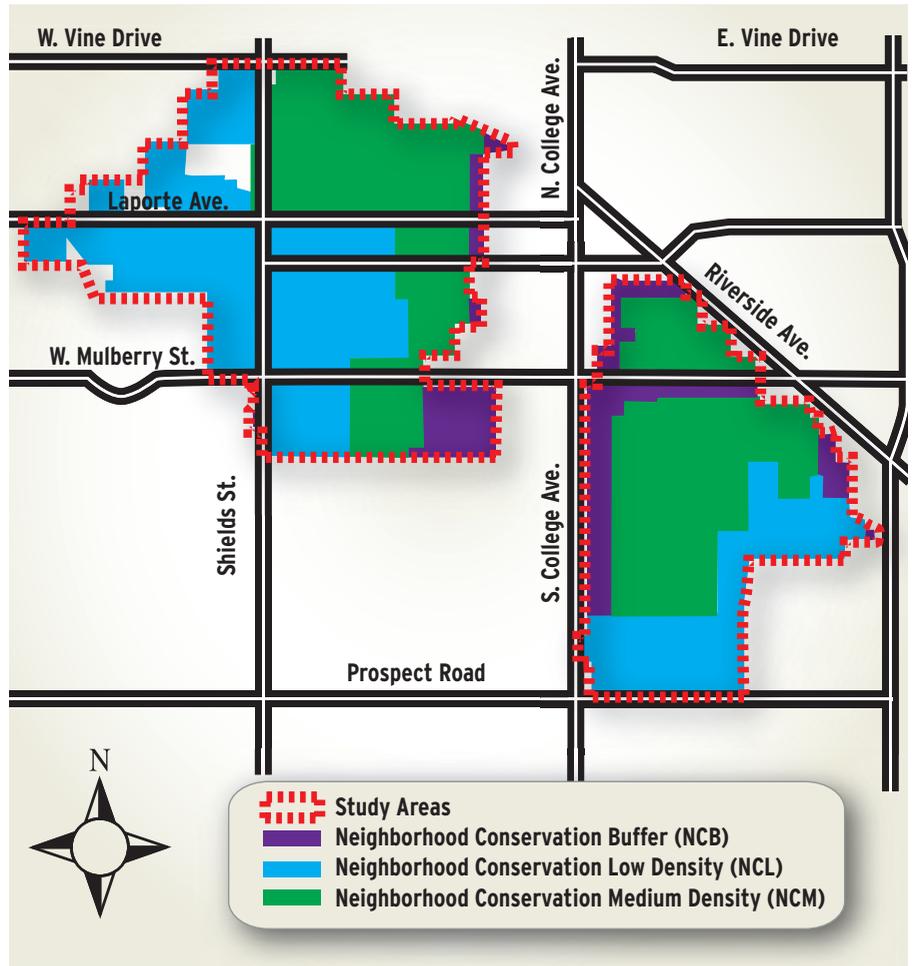
Mack said he believes the Average-Plus approach, plus other tweaks being proposed, will help reduce the number of historic or potentially historic homes from being demolished to make way for much bigger houses.

“I think what’s proposed gives people the ability to build additions rather than scraping and starting over again,” he said.

But Mack said the city must tighten its process to keep the Planning and Zoning Board from granting variances from whatever is ultimately adopted.

“You can put all the rules in place, but if P&Z goes ahead and grants variances, we’re still going to have a lot of inconsistency,” he said.

FCBR’s Dougherty said the issue revolves around protecting private property rights, something the board strongly supports. He said any adopted standards



Map information courtesy City of Fort Collins

**STUDY AREA** – This map shows the Eastside and Westside neighborhoods that are in line for new design standards for redevelopment that maintain their historic character.

should minimally restrict what property owners can do with their property.

“The big thing is we’d be hurting private property rights, particularly housing values, and creating issues for people to get insurance on those homes,” he said. “If we can’t redevelop, those neighborhoods will go down in value.”

Bolin said the city wants to get closer to finally settling a long-running debate about redevelopment in the Eastside and Westside neighborhoods.

“It has been a very contentious issue,” she said. “Changes are needed, but what those changes will be still needs to be decided.”

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# Startups powering new wave in tech sector

Bioscience, clean energy, thrive with help from CSU, RMII

By Joshua Zaffos  
news@ncbr.com

Most sectors of the economy have simply sought to weather the recession, but technology industries in Northern Colorado have found a way to thrive during these lean times.

Even as economic growth was slow and unemployment remained high in 2010, Northern Colorado business in

clean technology — alternative and renewable fuels and energy efficiency — and bioscience and information technology has developed at a brisk pace.

“We’ve seen literally an explosion of new startup companies,” said Mark Forsyth, CEO of the Rocky Mountain Innovation Initiative in Fort Collins, which supports and promotes new science and tech businesses regionally. RMI2 has fostered the establishment and growth of 30-plus businesses, including several new and emerging companies that received recognition dur-



Technology

ing the past year. And since 2008, RMI2-supported enterprises have attracted \$70 million in investment capital.

Forsyth and other boosters of the so-called Innovation Economy say the local tech sector has avoided the harsh recession repercussions because of several factors. Companies looking to put down roots and investors seeking out sound businesses have taken notice of the performance and reputation of several established tech titans — Hewlett Packard, Advanced Energy, Woodward — and the institutional support from the city of Fort Collins and Colorado State University, among others. The region’s skilled workforce has also attracted business and sprouted its own enterprises.

Both AE and Woodward have announced increases in sales and revenues — and stock earnings — from last year, signaling the large companies have, for now, pushed through financial slowdowns. Among the bevy of startup firms, several clean-tech groups posted prosperous years, including Abound Solar, Ice Energy and VanDyne SuperTurbo. These clean-tech businesses represent a next wave of industries that are building on Northern Colorado’s tech legacy and growing despite the dreary global economic environment.

**Partnerships key**

Partnerships between the small, emerging companies and bigger firms have been key to landing major projects and grants. According to Forsyth, regional companies have done an exceptional job of winning Small Business Innovation Research grants from federal agencies, by collaborating and promoting their different specialties. The SBIR grants fund product development for government purposes, but also specifically enable new and small businesses to pursue commercial applications and sales. These successes are the fruit of a regional strategy, first launched in 2005, to build industry clusters that have encouraged these cooperative partnerships, Forsyth said.

In 2011, new cluster groups focused on water innovation and advanced engines could spur the next round of successful tech businesses in the region. The already established bioscience cluster should also get a boost from the CSU Research Innovation Center, which supports public-private partnerships, Forsyth said, and from RMI2’s new facilities, which have offices for a number of its supported firms.

Technology ventures remain typically high-risk investment opportunities, so wooing capital will remain a priority in the coming year. More developed technologies, such as solar and wind energy, face the greatest challenges in finding suitable investors since companies, including Abound Solar and global wind giant Vestas, are building manufacturing lines and major installations that require large infusions of funds. Smaller companies centered around green-building and energy-efficiency innovations — Ice Energy and VanDyne, for example — should remain more attractive to investors.

State political changes should also play some role in the development of the regional tech industry. Outgoing Gov. Bill Ritter championed clean-energy industries and the New Energy Economy, and Gov.-elect John Hickenlooper is expected to continue many of his initiatives, already announcing a “full-court press” to renew grants that support the Governor’s Energy Office after he takes office Jan. 11.

But for the first time since 2006, Republicans control the state House of Representatives, and have already renamed several House committees to reflect an interest in more traditional energy development. If politicians try to block state clean-energy funds and incentives, it would likely impact the direction and pace of regional business growth for local tech industries.

“Northern Colorado clearly benefits when clean energy is a driving focus for the state,” Forsyth said.



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- 2008-2009.....Trent Johnson  
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- 2007 .....Larry Seastrom  
New Frontier Bank
- 2006.....Roger Knopf  
Envirotech Services, Inc.
- 2005 .....Mark Kendall  
Kendall Printing Company
- 2004 .....Tim and Sally Warde  
Northern Colorado Paper
- 2003.....Tom Roche  
Roche Constructors, Inc.
- 2002 .....Ruben and Scott Ehrlich  
Ehrlich Motors
- 2001 .....Jerry Morgensen  
Hensel Phelps Construction Company
- 2000.....Bill Farr  
Centennial Bank of the West
- 1999.....John Todd  
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# Banks will continue to struggle in coming year

## Dodd-Frank reforms add another layer of uncertainty

By Michelle LeJeune  
news@ncbr.com

Dramatic changes in banking as we know it are in store for 2011 and beyond.

For Don Childears, president and CEO of the Colorado Bankers Association, the 12 months beginning Jan. 1 will be all about the Dodd-Frank Wall Street Reform and Consumer Protection Act signed into law July 21: How it's crafted, its timelines, and how it's implemented.

Childears predicts that the new regulations will increase paperwork. Bank services may be more expensive. Borrowers' access to credit will be restricted. And that's just the beginning of the trouble ahead.

The strain of complying with the regulations could close down some small banks. There might be more mergers. Consumers may discover that free checking is a thing of the past.

Will banks continue to struggle in 2011? You bet.

"We're anticipating slow improvement in the banking industry," Childears said. "Abuses (in the banking industry) needed to be addressed, but we do expect a number of negative implications from the act."

Childears can name two positive parts of Dodd-Frank. The new Financial Stability Oversight Council is one. And the second is holding previously unregulated entities such as brokerage houses and hedge funds, and government enterprises such as Fannie Mae and Freddie Mac, to the same standards as banks for capital requirements, limits on leverage, and processes to compliance. They will also have to undergo routine examinations like banks.

Paperwork hassles top Childears' list for what banks and their customers have to put up with in the coming year. The CBA's assessment is that within its 2,300 pages, Dodd-Frank creates at least 243 new rules requiring 67 one-time reports and establishing 22 periodic reports. More paperwork will drive up costs, he

said.

New caps on interchange fees — the money merchants' banks pay customers' banks for processing debit card transactions — will also affect banks' profitability, and could mean the demise of free checking, Childears said, because this revenue stream allowed free checking in the first place.

"It forces banks to offer a service below cost," he said.

More generally, the new capital requirements, the Consumer Financial Protection Bureau, compliance timelines and the uncertainty surrounding these new rules and entities will cause confusion, Childears said.

"I don't know how banks can prosper," Childears said. "I do think they can adjust and find ways to change. Laws don't stay static. This (Dodd-Frank) is so onerous; I think there will be significant modification in a few years. Of course, that too will be seen as reform."

### Market share, consent orders

While observers like Childears see more pain to come, some bankers might say they have already been through enough.

In Larimer County, the deposit market share leader First National Bank of Colorado has been feeling the pinch for the last five years. With \$9.94 million in deposits for the quarter ended June 30, First National captured 21.26 percent of the market — a drop of nearly 10 percent since 2005. Second-largest Wells Fargo Bank has taken up some of those deposits, moving up 4 percentage points in the five-year time period to hold 16.21 percent market share, or \$7.57 million in deposits.

In Weld County, number one and two in deposit market share as of the second quarter were Wells Fargo Bank and Bank of Choice with 16.29 percent — \$4.75 million — and 13.61 percent — \$3.97 million — respectively.

Five years ago, the landscape looked very different with now-defunct New Frontier Bank holding 20 percent of the deposit market share and Union Colony Bank — operating under a combined charter with First National since 2007



Banking

— a somewhat distant second at 13 percent.

Since the banking collapse began in 2008, 15 Colorado banks have been under consent orders, agreeing to live by conditions such as a review of loan loss reserves, or to increase capital, handed out by regulators. While a consent order can mean a bank is in real trouble, it isn't usually an indicator that a bank is on the verge of collapse. It is the regulator's way of trying to help the institution get its house in order. Most local banks have resolved their regulatory issues; New Frontier was taken into receiver-

ship by the Federal Deposit Insurance Corp. in 2009.

In Northern Colorado three banks are currently under orders: Bank of Choice in Greeley, since April 15; and Advantage Bank, Loveland, and Signature Bank, Windsor, since Oct. 19, 2009, according to the FDIC.

Childears said that consent orders for a bank are part of the normal cycle of recession.

"I think you'll see a few more added to the troubled bank list in the next year or so and a few come off, but the list will remain static," he said.

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# Commercial starts long climb up from bottom

By **Jessica Centers**  
*news@ncbr.com*

The commercial real estate market in Northern Colorado and around the country hit bottom in 2010, which experts say is good news. They forecast a slow, steady 2011 with some "rays of hope."

A national commercial real estate survey from the Urban Land Institute and PwC forecasts tempered market improvements in 2011 as banks continue to strengthen balance sheets and increase lending, resulting in higher transaction volumes. Borrowers with well-leased cash-flowing properties will have a better chance to refinance, while over-leveraged owners dealing with high vacancies and falling rents may face foreclosure.

In Northern Colorado, the Everett Real Estate Center's mantra for 2011 is "about the same, but slightly better," according to its Commercial Real Estate 2011 survey. Steve Laposa, director of the center, said he noticed a "quiet optimism" among survey respondents for 2011, with bright spots in leasing and sales transactions and value growth possibilities for multifamily, student housing and senior housing.

Respondents felt the Interstate 25 and U.S. Highway 34 interchange in Loveland offers the best opportunities for development in the near future, while they fear the proposal to tighten restrictions within the 100-year floodplain will have a negative impact in Fort Collins. Loans for land and construction will remain challenging, and private equity sources will dominate financing.

Laposa said vacancy rates have come down in the office markets and retail rates are staying flat. "It's not gangbusters," he said. "But I'm not really sure we want to be gangbusters like we were. Gangbusters leads to cyclical swings that are not good in the long term nor are they sustainable. What I see in 2011 is building the base for sustainable growth, not hyper-growth, building our base through continued employment growth,

limited new supply, continued stable demand. That puts you in a place where you're not going to have phenomenal appreciation rates, but you're not going to have depreciation, either."

Mark Bradley, a broker with Realtec focused on Greeley, agrees there are glimmers of hope, "but by no means are we back to what I would consider a healthy economy."

Greeley is still seeing instability in valuation with many bank-owned properties on the market and owners under pressure to sell quickly.



## Commercial Real Estate

### Glimmers of hope

The glimmers include sales volumes up and vacancies down substantially from 2009, as well as some retail and office activity.

"Those two sectors are still pretty slow, but people are realizing we're at or near bottom and that it's a good time to try to secure their positions for the future," Bradley said. "We're seeing buyers take advantage of low prices that are out there. Financing continues to be difficult for a lot of people. Banks are turning to lending again, but underwriting requirements are a lot stricter than they have been in the past."

Realtec expects a major turnaround will not happen until 2012 or 2013. In the meantime, there will be some new construction in 2011. Noble Energy plans to build a new field office in west Greeley. Convenience stores and fast-food restaurants are starting to look at new construction. Industrial vacancies are so low that Realtec is looking to develop a new, 30-acre industrial park in east Greeley.

"We're in the preliminary planning stages," Bradley said. "The hope would be to get it up so somebody could put up a building on it next summer."

NewMark Merrill Mountain States managing director and principal Allen Ginsborg said this was the most challenging of his 28 years in shopping center development in terms of keeping occupancy up. "We're figuring out new ways to do things, not to say our tenants or shopping centers are our enemy," he said. "The economy is the foe."

Recovery in Colorado is lagging

See **COMMERCIAL**, 11



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# Improved home market in '11 depends on quality jobs

## Steadier growth ahead after end of federal tax credits

By Anne Cumming Rice  
news@ncbr.com

The good news in residential real estate in Northern Colorado in 2010 was the extension of the federal tax credit for certain homebuyers.

The extension meant a busy first part of the year for home sales, then a slow-down in both Larimer and Weld counties by the fall.

The tax credit was \$8,000 for first-time homebuyers and \$6,500 for homeowners who had lived in their current homes for at least five years and wanted to sell.

Homes had to be under contract by April 30, and closings had to occur by Sept. 30.

"It's kind of like putting anything on sale," said Sean Dougherty, president of the Fort Collins Board of Realtors. "You get a glut of people who want to buy, then they go away once the sale is over."

Overall, the market was steady in Fort Collins in 2010. At the end of November, the number of listings sold was the same as 2009. The \$233,000 median home price was up compared to last year's \$225,000.

"We have been very stable and steady in Fort Collins," Dougherty said. "We are lucky because we are a university town. We're able to weather the storm better because our clientele will always be here."

Home sales were up 3.7 percent in Loveland/Berthoud compared to 2009, and median prices were also up from about \$204,000 to \$210,000.

The news wasn't quite as good in Greeley/Evans, where home sales were down 8.1 percent compared to last year, and median prices dropped slightly from \$134,000 to \$133,000.



Residential Real Estate

"I think we have been bouncing along the bottom for the last year or so," said John DeWitt, managing broker for Re/Max Alliance in Greeley. "I'm surprised we didn't see more sales in 2010."

The other good news in 2010 was that foreclosure filings went down although DeWitt attributes some of that to banks now turning more to short sales and loan modifications rather than foreclosure. Foreclosure filings through October were down 17.3 percent in Weld County and 16.2 percent in Larimer County compared to the same period last year.

For 2011, real estate agents see more of the same — stable numbers in Fort Collins and Loveland and slower recovery in Weld County.

"Our market won't really get better until we see those quality jobs," DeWitt said. "The good news is that jobs have come to Northern Colorado."

The return of consumer confidence is also important.

"I've had more cash buyers this year than I've ever had," Dougherty said. "There's money out there, but people are afraid to spend it."

Given that people buying more real estate than they could afford was one of the causes of the Great Recession, some see the steadier growth of the future as a good thing.

"Northern Colorado has a very rosy picture compared to some other parts of the country," Dougherty said.

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behind Chicago and Southern California, where NewMark also has a presence. "Colorado didn't quite take the beating that I think some of the other communities did, but Colorado also doesn't get the oomph when things return," Ginsborg said. "The demand curve doesn't come back as quickly."

Retail sales are up from this time last year but still far from the levels of prior years, and rents will not stabilize until retailers start to open new stores and compete for space. For now, they remain spotty while prices improve in some areas and fall in others.

"Last year was shock and awe, the oh-my-gosh-we've-been-attacked," Ginsborg said. "Now this year is we're-under-siege: how do we function when we're under siege? This year looks the same as last year. We're not freefalling. We're bumping along the bottom."

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# Hospitality industry looks forward to sunny days



Kate Hawthorne, Northern Colorado Business Report

**NEW IN TOWN** – Salad chef Michelle Kulenski and front-of-the-house staffer Steven Hannem serve up one of the daily specials at Ingredient in Fort Collins. The newest location of the Kansas-based fast casual gourmet chain serves breakfast, lunch and dinner for dining in or taking out, and offers coffee and other grab-and-go items at the ibar at the front of the former City Drug location at Mountain and College avenues.

## Vacant spaces filling, eateries expanding, local food flourishing

By Jane Albritton  
news@ncbr.com

With apologies to Shakespeare: “And now is the winter of our discontent made glorious summer by an increase in tax revenues.”



Hospitality

Perhaps it is a bit premature to predict a return to sunny days for the hospitality industry, particularly when the effects of the bad economy have put a wintry chill on profit and growth. But in Northern Colorado, the hospitality industry of 2010 has been stirring under the snow, expanding a little, tweaking here, opening a new restaurant there.

As if to signal a transition from “space for lease” to “open for business,” **Ingredient** (5,500 square feet spilling onto sidewalk patio space in summer) on the corner of Mountain and College avenues in Fort Collins finally opened in December. Transforming any historic building into a restaurant comes with surprises that slow down the works (just ask Tian Lu of **Lulu Asian Bistro**

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or Missy and Steve Levinger of the **Armstrong Hotel**). But transforming a bank vault into a kitchen proved to be especially daunting.

The 19th-century builders of the Poudre Valley Bank would be proud to know that their vault withstood all simple solutions and vexed Ingredient's timetable. Steve Kerner, one of three partners who own Ingredient, is still shaking his head.

"This is our seventh restaurant," Kerner said. "We started in Kansas and Nebraska and decided we would test the waters in a different market. We have a good price point and excellent food."

And that price point is fixed — no tipping allowed. In lieu of gratuities, the Ingredient menu recommends performing "a random act of kindness," such as plugging a quarter into an expired parking meter, giving to charity, or petting a dog.

Open for breakfast, lunch and dinner — plus dessert, for those who consider that a basic food group — the Ingredient concept is ambitious. The breakfast menu offers everything from lox and bagels to omelets and pancakes and everything in between. Lunch and dinner offer sandwiches, soups, pizzas with handmade crust cooked up in a brick oven, and salads made to order.

In Kerner's view, one of the unique features of Ingredient is the dessert corner.

"You can come in just for dessert: fondue or gelato and a cup of coffee," he said. "We have milk, dark and white chocolates as well as caramel and raspberry puree."

Where there are raspberries, can sunny days be far behind?

**Other signs of life**

It may have been that 2009 marked a low point in the prospects for the hospitality sector. Then chefs and other entrepreneurs, the most optimistic lot on the planet, adjusted and moved forward, committed to filling empty spaces and eager appetites.

**Schmidt's Bakery** in Loveland, after a rough encounter with the taxman, is back on track and serving up holiday stollen. In Fort Collins, **El Monte Bar and Grille** adjusted to the realities of its location tucked away at South College Avenue and Prospect Road, and now appears to be flourishing. **Spoons** opened a new location on Harmony Road, and **Grey's Café at Times Square** slid into the kitchen space previously filled by **Wildrock Café**, nee **Hooters**. **Snooze** for breakfast came to Mountain Avenue, and **Nordy's** joined the Plan B (burgers, BBQ and breakfast) movement on North College Avenue.

In LaPorte, the **Empire Express** has opened in the unremarkable building next to the Shell gas station, bringing Chinese takeout to the land of the **Vern's** gigantic cinnamon roll.

Spaces that became empty filled up quickly. The **Funky Monkey Crepe Café** on College Avenue became a clothing store, but **King Weenie** parked its buns down the block next to **Tony's Restaurant and Lounge** after fleeing its previous Drake Road location. Across the street, without missing a beat, the **Stone House Grille** became the Beach House Grill. The exception to this trend remains the nice space on Harmony Road in search of a concept and strong management most recently occupied by the **Harmony Grill**.

Other empty retail spaces were "repurposed," at least temporarily, as winter farmers' markets. In Loveland, Mary and Jeff Hiatt opened their historic

— and vacant — Bonnell Building on Fourth Street as a satellite site of Fort Collins' **Be Local Winter Market**. In the Foothills Mall, the empty B. Dalton space has become a temporary Sunday home to the **Fort Collins Farmers' Market**. Perhaps the entire mall would make an excellent European-style food court.

And the original Be Local Winter Market, now a weekend feature in the Opera Galleria, has opened a second venue across the street in the Northern Hotel. Good ideas seem to spread.

Speaking of spreading ideas, the age of the bakery is dawning in Fort Collins, even though **Olive Street Bakery** became Mike Howland's newest **Gib's Bagels**. In Old Town, there will be three new ones: **Butter Cream Cupcakery** and **Little Bird Bakery** have come to roost in Old Town Square, and **Claude Lucas La Crêperie** on Mountain Avenue finally has enough fire power to open his **Croissants de**

**France Bakery** around the corner.

In the venue category, Linde Thompson continues to grow **The Kress Cinema & Lounge**, the jewel in the crown of downtown Greeley. "We are no longer using the kitchen next door," she said. "We decided to build one of our own."

By the first part of 2011, the Kress will have a new menu and new ways to mix the pleasures of dark Swedish cinema with Colorado cuisine.

As for the historic **Armory** event space in Fort Collins, which seemed to open and then suddenly close as a potential buyer began to perform "due diligence," the deal now seemed to be sealed. Really sealed.

"The Armory is sold, at least as certainly as anything can be in these times," said Amy Satterfield who owns the building with her husband Paul Jensen. "We will close the first week in January,

but my store Wadoo will remain open in this location while we look for a new space for our businesses."

And the new owner is ... ? Stay tuned.

**A cherry on top**

**Open Table**, which now has an iPhone app for diners hoping to snag a table at a nice restaurant officially booked solid, has announced that Jason Shaeffer's **Chimney Park Restaurant & Bar** in Windsor has been voted in the top 10 "Best Overall Restaurants" and "Best Food" for the entire state of Colorado — that includes Denver — through its Diners' Choice Ratings. Bravo for Shaeffer, who makes clear that the best way to promote local food sustainability is to make a spectacular meal of it and put it on the table. He makes Northern Colorado look like a good place to eat.

So here's to 2011 and the glorious summer to come.



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**The 4th annual BizFit Challenge\* kicks off March 1st and crosses the finish line September 15th at the BizFit Power Lunch and Challenge Awards.**

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Challenge yourself

WINNING RESULTS

**Ewing-Leavitt Insurance Company**  
2010 Overall Most-Fit Company

2010 Personal BizFit Results		
	Before	After
Body Fat:	22.4%	21%
Push-ups/minute	45	55
Sit-ups/minute	37	55

Challenge a team

WINNING RESULTS

**Ewing-Leavitt Insurance Company**  
2010 Overall Most-Fit Company

2010 Personal BizFit Results		
	Before	After
Body Fat:	22%	20%
Push-ups/minute	52	61
Sit-ups/minute	55	64

Who will challenge them for the 2011 **BizFit** title?

What better way to make an effort to trim healthcare costs than to challenge yourself or be on a company team to improve fitness levels. Take part in the BizFit competition individually or inspire your company owner, manager or CEO to team-up and take the BizFit Challenge as a company.

Step up. Team-up. Take the challenge. Start living a healthier lifestyle with potentially better productivity and potentially lower health care costs for yourself and your company.



Register for **BizFit** 2011 at [www.NCBR.com](http://www.NCBR.com) Click on Events under Departments. Registration deadline is May 1, 2011. The competition ends August 8th. Awards will be presented September 15th.

\*BizFit was previously called Fittest Execs Challenge



# Largest GIS Companies

With local operations, ranked by no. of employees



RANK	COMPANY ADDRESS PHONE/FAX	EMPLOYEES 2010 EMPLOYEES 2009	REVENUES 2009 REVENUES 2008	PRODUCTS/SERVICES	NOTABLE PROJECTS	HEADQUARTERS E-MAIL WEB SITE	PERSON IN CHARGE TITLE YEAR FOUNDED
1	<b>CACI INTERNATIONAL INC.</b> 3351 Eastbrook Drive Fort Collins, CO 80525 970-224-4996/970-224-3001	177 170	N/A N/A	Visual information systems, database development, custom software, digital mapping and GIS.	N/A	N/A swalts@tgstech.com www.tgstech.com	Stefanie Walts Facility manager 1981
2	<b>COLORADO CUSTOMWARE INC.</b> 1109 Oak Park Drive Fort Collins, CO 80525 970-212-4001/970-223-4204	106 82	\$10,844,579 \$7,444,997	Assessment, tax collection and GIS software for state and local government.	N/A	Fort Collins info@cci.ws www.coloradocustomware.com	Lori Schlotter CEO, Owner, President 1989
3	<b>RIVERSIDE TECHNOLOGY INC.</b> 2950 E. Harmony Road, Suite 390 Fort Collins, CO 80528 970-484-7573/970-484-7593	101 80	\$25,000,000 \$19,028,322	Geospatial solutions and Decision Support Systems supporting hydrology, climate change, and other environmental engineering disciplines worldwide.	Colorado Flood Decision Support System, Colorado River Decision Support System, North Poudre Irrigation Water Management System, South Adams County Urban Irrigation Monitoring, Flood Risk Mapping in the Eastern Nile, Evapotranspiration Mapping in Morocco, South Platte Decision Support System	Fort Collins brian.ash@riverside.com www.riverside.com	Larry E. Brazil President/CEO 1985
4	<b>ESC ENGINEERING</b> 3540 JFK Parkway Fort Collins, CO 80525 970-224-9100/970-224-9137	80 77	\$12,050,000 \$11,840,000	GIS, Mapping and systems integration for electric, gas, and water utilities and development sites. Electrical engineering, controls and automation, electrical utility design, planning and rates, and electrical facility design.	GIS system development for Bartlett Electric Cooperative, Waco, TX; GIS development and systems integration for BP, Wamsutter, WY; GIS development for Wheatland REA, Wheatland, WY.	Fort Collins geotech@thinkESC.com www.thinkESC.com	Kevin P. Hartig President 1978
5	<b>NUMERICA CORP.</b> 4850 Hahns Peak Drive, Suite 200 Loveland, CO 80538 970-461-2000/970-461-2004	50 47	\$6,367,014 \$5,939,449	Scientific research, advanced algorithm development and robust sub-system software solutions in the areas of: air and missile defense, GIS, layered sensing, chemical and biological detection, cyber security and space situational awareness.	GIS Encoder prototype collaboration with TechniGraphics provides state-of-the-art compression techniques to stream data wirelessly to mobile platforms and PDAs producing highly accurate 3-D map data without local device memory constraints.	Loveland info@numERICA.us www.numERICA.us	Jeff Poore President & COO 1996
6	<b>DATA TRANSFER SOLUTIONS</b> 409 N. Mason Court, Suite 127 Fort Collins, CO 80524 970-221-1365/970-493-1075	50 45	N/A N/A	Custom software/application development with a GIS focus. Most of our projects involve data integration.	Tennessee Department of Transportation Enterprise Project Planning and Management System, numerous projects with Colorado Department of Transportation, Utah Department of State History - Archaeological System	Orlando, Fla. dbouwwan@dtsgis.com www.dtsgis.com	Dave Bouwman Allen Ibaugh Trey Fragala CTO CEO COO
7	<b>CARTOPAC FIELD SOLUTIONS</b> 736 Whalers Way, Building F Fort Collins, CO 80525 970-493-9500/970-482-1485	16 13	N/A N/A	Mobile mapping technology, field data collection software and asset management solutions.	N/A	Fort Collins info@cartopac.com www.CartoPac.com	Glenn Vlass President 1998
8	<b>ARC SCIENCE SIMULATIONS</b> 1122 N. Denver Ave. Loveland, CO 80537 970-667-1168/970-667-1105	5 5	N/A N/A	Spherical display systems (digital globes) which can display global GIS data sets, the weather, the planets, etc.	N/A	Loveland sales@arcscience.com www.arcscience.com	Thomas Ligon President 1981

Area surveyed includes the City of Brighton and Larimer and Weld counties.  
N/A-Not Available.  
CACI International Inc. announced on Nov. 1, 2010 its acquisition of TechniGraphics Inc.

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

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**ETC.**

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**Coming attractions**  
 for *NCR* in 2011

**Special sections:**  
**Jan. 14 - Banking and  
 finance**

**Jan. 28 - Real estate  
 and development**

**Feb. 11 - Construction  
 and engineering**

**Feb. 25 - Health care**

**March 11 -  
 Agribusiness; Energy  
 and utilities**

**March 22 - Index of  
 Leading Economic  
 Indicators**

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 Editorial Calendar at  
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# Let savings pay for energy upgrades

On-bill financing lets owners invest utility's funds in their building

**By Ross Manley**  
*rmanley@ncnr.com*

If one of your resolutions is to save energy — and money on your utility bill — in the new year, you might want to consider on-bill financing.

The system begins with an energy efficiency upgrade to your home or business establishment through your utility company with no upfront cost to you. The upgrade is performed by professionals and paid for with a low-interest loan. Once the upgrade is completed, you pay back the loan through a surcharge on your monthly energy bill for an extended period of time, typically up to five years.

To be approved to participate in an on-bill program, the surcharge must be less than the savings resulting from the upgrades.

On-bill financing is designed to overcome obstacles that discourage owners from mak-

See **FINANCING, 25**

## Two kinds of on-bill financing

An on-bill financing system can be modified to meet the needs of different types of utility companies and to address specific state legislation.

The two general variations differ in the treatment of the capital provided for the implementation of the energy efficiency measures. It can be either a debt or an obligation, each of which has its own pros and cons.

- The **on-bill loan** arrangement considers the monies a debt and consequently requires the utility to adhere to consumer finance laws that may impose fees and additional requirements, increasing both the cost and complexity of administering the program. This type of program ties the repayment of the loan to the property owner and requires the borrower to repay the loan amount upon the time of sale.
- The **on-bill tariff** approach treats the capital as an obligation as opposed to a loan. This approach is attractive to renters and homeowners alike because repayment is tied to the meter, transferring the responsibility to the current tenant of the property. This arrangement is also attractive to government entities that are prevented from assuming additional debt. The mechanism enables these entities to acquire capital for energy efficiency measures while avoiding adding debt to their balance sheet.



SOURCE: BUSINESS REPORT RESEARCH

# Jabs: An all-American entrepreneur



Jake Jabs makes a career of finding need, filling it

Finding the need and filling it has been the foundation of Jake Jabs' career. He began his entrepreneurial journey by purchasing a small guitar studio in Bozeman, Mont. It made sense: Jabs loved to play guitar — he used to play for Marty Robbins in Nashville — and Bozeman lacked a music store with good guitars.

When Jabs sees an opportunity, he exemplifies the spirit of "Carpe diem." Twice, recessions have been the cata-

lyst for his ventures — first in buying a struggling music store, then in buying a defunct furniture company. Today, Jake Jabs is the sole equity owner of American Furniture Warehouse, the largest furniture retailer in Colorado, which he founded in 1975. AFW has more than 1,300 employees and over \$300 million in annual revenue.



**JABS**

I had the opportunity to sit down with Jabs for my book "50 Interviews: Entrepreneurs

See **WHAT'S WORKING, 17**

**WHAT'S WORKING**

Brian Schwartz

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# ON THE JOB

## FINANCE

American Banker magazine recognized **John Ikard**, president and CEO of FirstBank Holding Co., as Community Banker of the Year. Recipients are selected by the publication's editorial staff based on their organization's growth, financial performance and innovation.

**Erika Doty** is the new branch manager for Public Service Credit Union at the Boardwalk branch in Fort Collins. Doty was most recently employed by Alaska USA Federal Credit Union and has experience in branch management as well as in staff training and business development. She replaces longtime Boardwalk branch manager **Susan Heneman**, who was promoted to Loan Product Manager this fall.



**DOTY**

replaces longtime Boardwalk branch manager **Susan Heneman**, who was promoted to Loan Product Manager this fall.

Full-service securities firm RBC Wealth Management hired **Janet Mabry** as a financial consultant in its Fort Collins office. Mabry brings more than 20 years of industry experience in financial planning and banking. Her primary area of focus is converting wealth to income.



**MABRY**

AscendCFO, a provider of part-time CFO and controller services, expanded its Colorado operations by adding veteran financial executive **Mark LaBere** as CFO Business Partner in Northern Colorado. LaBere brings more than 25 years of domestic and international financial and operations leadership in commercial and residential construction, industrial and high-tech manufacturing, distribution, and energy.

## AGRICULTURE

**Charlie Bartlett**, Merino area farmer and current board member of the Colorado Corn Administrative Committee, was elected Chair of the Colorado Ag Water Alliance. **John Stencil**, former president of Rocky Mountain Farmer's Union, was elected vice-chair. Both will serve a one-year term.

## ACADEMICS

Learning Rx in Fort Collins, which helps improve a person's ability to learn, promoted **June Macon**

as director of Public Relations and Professional Relationships. Macon is also an adjunct instructor at Aims Community College teaching Advance Academic Achievement.



**MEIER**

## ACCOUNTING

**Lyndsey Meier** and **Dena Sporleder** joined the full-time accounting staff at Sample & Bailey, CPAs P.C. Meier graduated from Colorado State University in 2010 with a B.S. in Business Administration with a concentration in accounting. Sporleder will graduate in May 2011 with an M.S. in Accountancy. Both interned at Sample & Bailey prior to their full-time hiring.



**SPORLEDER**

## GOVERNMENT

Poudre Valley Fire Protection District Board Member **Ed Schemm**, with Poudre Fire Authority since its inception in 1981, retired effective Dec. 31. Schemm resigned due to the city annexing land from the PVFPD, which makes him ineligible to serve on the board.

## BOARDS

The Larimer County Commissioners appointed **Scott Golden, John Brooks, Sandi Elliott, Steve Humann, Gilbert Barela, Francis LaBarbera** and **Jim Woolridge** to the Larimer County Fair Board.

## MISCELLANEOUS

Liberty Ink Journal, published in Fort Collins, added political writer and GOP activist **John Ransom** as a contributing editor and featured writer. Ransom's work has been featured by Pajamas Media, Conservative Battleline, the *Los Angeles Business Journal*, Naval Intelligence Professionals, NewsMax, The Street.com, the *Pittsburgh Tribune-Review* and the Colorado Statesman, as well as several others.

If you have an item to share about a promotion, job change or career news of note, e-mail it to Noah Guillaume at [nguillaume@ncbr.com](mailto:nguillaume@ncbr.com), or mail it to On The Job at NCB, 141 S. College Ave., Fort Collins, CO 80524.

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## NUMERICA, from 2

must be decompressed onto devices with memory constraints — such as mobile phones and PDAs — will lose fine details such as elevation and other 3-D elements. The deficiencies are especially troubling for low-flying pilots who need an accurate read on antennae towers, power lines, trees and even church spires when they're scanning a digital map.

When the U.S. Army put out a solicitation for the project through its SBIR grant listings, Numerica determined its staff was equipped to tackle the heady algorithms behind the program, but the company was lacking geospatial services.

"We could bring the scientific horsepower and understanding, but we needed a partner that understood the marketplace," Jeff Poore said.

Numerica and Technigraphics/CACI are both members of GIS Alley, the regional GIS industry cluster. Personnel

from the two companies had first crossed paths via a networking group of Northern Colorado defense contractors several years earlier, so when their staffs met to discuss a collaboration on the GIS Encoder project, each knew what the other brought to the table.

Numerica had its mathematical brainpower. Technigraphics brought its geospatial expertise. It was the GIS technology equivalent of chocolate and peanut butter. The collaboration has enabled the companies to win a Phase II SBIR grant from the government to further develop the product and explore commercial uses.

Jeff Poore anticipates the GIS Encoder package could be his company's first "real, commercial, non-government product." Uses could come for air-traffic management and as a plug-in application for consumer GIS software programs.

"GIS is an area ripe for innovation," Poore added.

# CALENDAR

**Jan. 3** - Health Savings Account Webinar, from 10:30 to 11:30 a.m., Webinar. Cost: \$0. Contact: Amy Essig at 303-776-3105 or aessig@VBBenefits.com.

**Jan. 4 - 11** - QuickBooks I and II at ELTC, The Education and Life Training Center, 401 Linden St. in Fort Collins. Registration Deadline: Jan. 18. Contact: Dianne Tjalkens at 970-482-4357 or info@eltcenter.org.

**Jan. 4** - Front Range PC Users Group, from 7 to 9 p.m., Fort Collins Senior Center, 1200 Raintree Drive in Fort Collins. Contact: Front Range PC Users Group at <http://www.frpcug.org>.

**Jan. 6** - 2011 Northern Colorado Economic Forecast, starting at 11 a.m., University of Northern Colorado University Center Ballroom, 2045 10th Ave. in Greeley. Cost: \$39/individual ticket. Contact: De Dahlgren at 970-232-3132 or ddahlgren@ncbr.com.

**Jan. 6** - Business Planning for Success, from 8:30 a.m. to noon, SBDC office (Key Bank Tower), 125 S. Howes St., Suite 150 in Fort Collins. Cost: \$40. Contact: Terri Donovan-Keirns at 970-498-9295 or sbdcadmin@frii.com.

**Jan. 10** - An Evening of Remembrance Winter Memorial Service, from 5:30 to 7:30 p.m., Pathways Hospice, 305 Carpenter Road in Fort Collins. Cost: No fee, no registration required. Contact: Michele Desnoes at 970-663-3500 or michele.desnoes@pathways-care.org.

**Jan. 11** - Newly Bereaved Group, from 1 to 2:30 p.m., Pathways Hospice, 305 Carpenter Road in Fort Collins. Cost: \$25, no fee for hospice families. Contact: Michele Desnoes at 970-663-3500 or michele.desnoes@pathways-care.org.

**Jan. 11** - Strategy for High Performance Workshop, from 8:30 a.m. to 12:30 p.m., Monfort Institute at the University of Northern Colorado, 2915 Rocky Mountain Ave., Suite 110 in Loveland. Cost: \$399. Contact: Michael Leonard at 970-351-2632 or michael.leonard@unco.edu.

**Jan. 12** - On Our Own, from 6:30 to 8 p.m., Pathways Hospice, 305 Carpenter Road in Fort Collins. Cost: No fee, no registration required. Contact: Lani Hickman at 970-663-3500 or lani.hickman@pathways-care.org.

**Jan. 12** - Certified Lean Master, from 8 a.m. to 5 p.m., Northern Colorado, in Fort Collins. Cost: \$3,450. Contact: Kate Hickey at 720-565-9549 or khickey@emailta.com.

**Jan. 12** - Want a Business AND a Life?, from 8:30 to 11 a.m., SBDC office (Key Bank Tower), 125 S. Howes St., Suite150 in Fort Collins. Cost: \$40. Contact: Terri Donovan-Keirns at 970-498-9295 or sbdcadmin@frii.com.

**Jan. 13** - Will My Business Make Money, from 8:30 a.m. to noon, SBDC office (Key Bank Tower), 125 S. Howes St., Suite150 in Fort Collins. Cost: \$60. Contact: Terri Donovan-Keirns at 970-498-9295 or sbdcadmin@frii.com.

**Jan. 13** - Experience Vistage, from 7:30 to 10:30 a.m., Ptarmigan Country Club, 5416 Vardon Way in Fort Collins. Cost: \$0. Registration Deadline: Jan. 10. Contact: Andrea Grant or Bill Hunter at 970-443-3142 or 970-493-1531 or Andrea.Grant@Vistage.com or William.Hunter@Vistage.com.

**Jan. 14** - Who Will You Be in 2011 and Beyond, IMC-Colorado, from 7 to 9 a.m., Denver Athletic Club, 1325 Glenarm Place in Denver. Cost: \$25/members,

\$30/guests, \$10 late registration. Contact: Patricia B. Sikora at 303-499-5723 or patsik@aol.com.

**Jan. 14** - International Business and Rodeo Day, from 5 to 10 p.m., National Western Club in the Hall of Education, National Western Complex, 4655 Humboldt St. in Denver. Cost: \$35/members, \$45/non-members. Registration Deadline: Jan. 7. Contact: Rachel Baertlein at 303-592-5760 or rachel@wtcdenver.org.

**Jan. 18** - Winter Session at the Education and Life Training Center, The Education and Life Training Center, 401 Linden St. in Fort Collins. Contact: Laura Barron at 970-482-4357 or Laura.Barron@eltcenter.org.

**Jan. 19** - Make It Official, from 7 to 9 a.m., SBDC office (Key Bank Tower), 125 S. Howes St., Suite150 in Fort Collins. Cost: \$25. Contact: Terri Donovan-Keirns at 970-498-9295 or sbdcadmin@frii.com.

**Jan. 20** - Crack the Codes... on your Credit Card Merchant Account, from 11:30 a.m. to 12:30 p.m., SBDC office (Key Bank Tower), 125 S. Howes St., Suite150 in Fort Collins. Contact: Terri Donovan-Keirns at 970-498-9295 or sbdcadmin@frii.com.

**Jan. 20** - Embrace Northern Colorado presents Embrace Northern Colorado's Discovering Our Voice: Workshop, from 3 to 5 p.m., First National Bank Exhibition Hall, The Ranch, 5280 Arena Circle, Suite 100 in Loveland. Cost: \$0. Contact: De Dahlgren at 970-232-3132 or ddahlgren@ncbr.com.

**Jan. 20** - Embrace Northern Colorado presents Embrace Northern Colorado's Discovering Our Voice: Dinner Event, from 5 to 7 p.m., Budweiser Events Center Executive Club Restaurant, 5280 Arena Circle, Suite 100 in Loveland. Cost: \$0.

Contact: De Dahlgren at 970-232-3132 or ddahlgren@ncbr.com.

**Jan. 20** - Embrace Northern Colorado presents Embrace Northern Colorado's Discovering Our Voice: Public Event, from 7 to 9:30 p.m., First National Bank Exhibition Hall, The Ranch, 5280 Arena Circle, Suite 100 in Loveland. Cost: \$0. Contact: De Dahlgren at 970-232-3132 or ddahlgren@ncbr.com.

**Jan. 21** - Loveland Chamber of Commerce Annual Investors Meeting/Dinner, from 5:30 to 10 p.m., South Hall of the First National Bank Building at the Ranch, 5280 Arena Circle, Suite 100 in Loveland. Cost: Chamber investors pay \$50/ticket until Jan. 13, 2011 and \$60 after. Non-Chamber investors pay \$75. Contact: Nicole Yost at 970-744-4792 or nyost@loveland.org.

**Jan. 21** - Excel-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: 01/17/2011. Contact: Laurie Rue at 970-204-8686 or laurie.rue@frontrange.edu.

## WHAT'S WORKING, from 15

Thriving in Uncertain Times." This is a portion of that interview.

**Q:** What was your initial startup cost and source?

**A:** \$80,000 I had saved. I bought the defunct American Furniture Co. They had over \$1 million in assets on the books and wanted to get whatever they could for the old assets.

**Q:** How long until there was a positive cash flow?

**A:** Two months

**Q:** Did you use a business plan?

**A:** No.

**Q:** What was the genesis of the idea?

**A:** In 1974-75, Colorado was in the middle of a big recession. Lots of furniture stores went out of business and it looked like a great opportunity to get into a major market like Denver with a small investment.

**Q:** What was the vision of the company and the community you serve?

**A:** My vision was to sell furniture for less than anybody. We provide an opportunity for the community to buy furniture at a reasonable price and people love us because of that.

**Q:** What were your biggest challenges? Looking back now, is there anything you wish you had done differently?

**A:** I have no regrets in life and wouldn't change a thing.

**Q:** What have been your biggest rewards?

**A:** Having the ability to contribute to charities I believe in. I enjoy the opportunity to speak to high school and college students, as well as business groups.

**Q:** Are there one or two things you can attribute your success to?

**A:** Timing was key, buying a defunct company at the end of a recession when business started to pick up. Plain old-fashioned hard work has been

a vital key to our success. Being honest and up front with the customer has always been our core value, conveying the fact that furniture is not a perfect item. Although nothing is more costly than returns, I'd rather have the furniture back than an unhappy customer.

Back in the '80s, we were really struggling, and on the brink of closing. But I worked hard to maintain impeccable credit and since I always treated suppliers as partners, they stood behind me during those difficult financial times. They would often give us a lower price than anyone else, even our competitors who were purchasing higher volume.

What differentiates us and our competitors is that we rarely return damaged furniture to the supplier. Instead, we have a full time staff doing repairs, just as the supplier would have in their own factories, but doing it in our stores allows us to save time and shipping costs.

**Q:** What is the most important attribute you look for in an employee?

**A:** We pay better than the other furniture stores and I give them freedom and responsibility to do their job. I spend an entire day with new employees. Doing so allows us to maintain a culture key to our success, to under-promise, over-deliver, and above all else, be honest with the customer. I also always try to first promote from within instead of hiring from outside.

**Q:** Any recommended training and resources? Do you recommend an MBA?

**A:** No on the MBA. I use my own book, *An American Tiger*, as a training tool for our employees.

**Q:** What would it say on your tombstone?

**A:** If you like what you are doing, you may never have to work a day in your life.

*Brian Schwartz is the founder of 50 Interviews Inc., and can be reached at [www.50interviews.com](http://www.50interviews.com).*

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# BRIEFCASE

## Nonprofit notes

The **Community-wide Shoe Drive** collected 2,811 pairs through November. The donations of gently used shoes will benefit children and adults served by local agencies: **The Able Women Career Closet, Homeless Gear** and **H.E.L.P. International**. Shoes will also be sent to **Soles4Souls**, a charity which distributes shoes, free of charge, to people in need around the world. **Mountain Stream Communications Group** in Fort Collins, coordinated the drive.

**First Baptist Church of Loveland** recently

honored **Birthright of Loveland** for the second year with baby gifts. In a project spearheaded by the church's mission board, members worked for months going to garage sales in search of gently used baby clothes to give to new mothers receiving assistance from Birthright. The project included donations of baby clothes, diapers, gift certificates, and financial donations from individuals and the church.

Kristi's Wish, a program of the **Kristi Visocky Memorial Foundation, Schrader's Country Stores** and **High Country Beverage** helped raise \$10,000 to benefit **Crossroads Safe House, Project Self-Sufficiency, Lutheran Family**

**Services** and **Salvation Army**. Each organization received a check for \$2,500 to help support the holiday needs of their clients.

This December, **Public Service Credit Union** participated in the Starlight Joy Drive, which collects new toys for distribution to hospitalized children. Members and staff of the credit union donated over 450 toys in collection bins placed in the 30 branches across the Front Range. Toys were then provided to children at hospitals across the Front Range including **Children's Hospital, McKee Medical Center, Medical Center of the Rockies, Poudre Valley Hospital, Rose Medical Center, Skyridge**

**Medical Center** and **St. Joseph Hospital**.

This season, **Tour de Fat, New Belgium Brewing's** traveling carnival of all things bicycle, raised \$331,428 for nonprofits, up nearly 20 percent from 2009, and witnessed record-shattering attendance of 70,250 cycling celebrants. For the Fort Collins leg of the tour, 15,000 people participated and raised \$52,260 to support **Overland Mountain Bike Club, Diamond Peaks Mountain Bike Patrol, Bike Fort Collins** and **Fort Collins Bike Co-Op**.

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## KUDOS

The Interior Design Program at **Front Range Community College** has been granted Supported Program status by the **National Kitchen & Bath Association**. The status allows the Interior Design Program to receive support from NKBA professionals. Supported programs are evaluated with respect to mission, administration, curriculum, faculty, and resources to determine eligibility and ability to fulfill the association's requirements for full-accredited status.

The **Wellness Council of America** recognized **Volk & Bell Benefits LLC** as one of America's Healthiest Small Companies for its willingness to promote and improve the health and well-being of its employees. By successfully integrating 10 benchmarks of results-oriented programs, Well Workplace Award winners had to demonstrate that their programs are not only comprehensive, but effective.

The Board of Larimer County Commissioners announced its 2010 Environmental Stewardship Awards. The 2 recipients are: **Big Thompson Elementary School of Nature and Science, EnergyLogic, Rocky Mountain Raptor Program** and **National Center for Craftsmanship**. Winning programs are innovative and proactive, and show exceptional effort and concern for stewardship of the environment of Larimer County.

## NEW PRODUCTS AND SERVICES

**Syntax Spirits** in northeast Greeley, next door to the **Crabtree Brewery**, opened its 3,000-square-foot vodka distillery and tasting room. Call 970-224-1248 for more information.

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](mailto:nguillaume@ncbr.com), or mail it to Briefcase at NCBR, 141 S. College Ave., Fort Collins, CO 80524.



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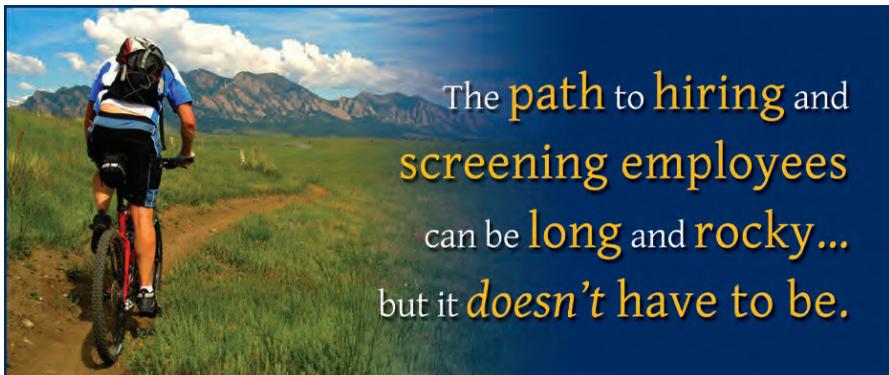
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# TIME OUT



**HOLIDAY CHEER - 1.** Representatives from Brown's Shoe Fit Co., Keller Williams Realty of NoCo, Farmers Insurance, Homeless Gear, Able Women Career Closet and Help International gather to load shoes to distribute to those in need, both locally and abroad. In all, 2,811 pairs were collected. **2.** Heather Jackson, left, Invisalign; Charlie Jackson, SMB direct sales account exec with Comcast; Christine Stephens, general manager at Best Western University Inn; Shannon Hein, fundraising events and public relations coordinator for Fort Collins Habitat for Humanity; and Greg Woods, operations director for Fort Collins Habitat for Humanity review their Christmas lists with Santa at the Fort Collins Chamber After hours Dec. 16 hosted by Comcast. **3.** Chris McDermott, left, Atmos Energy; Flo Mikkelson, Guaranty Bank and Trust; Melissa Jensen, High Plains Library District; and Lynn Begin, West Horseback Riding Therapy get in the holiday spirit at the Greeley Chamber After Hours Dec. 16 hosted by Guaranty Bank. **4.** Bill Reilly, Sperry Van Ness; Ryan Schaeffer, Chrisland Commercial; and Lorri McGregor, Heritage Title talk a little business at the Northern Colorado Commercial Association of Realtors holiday party Dec. 9 at the Agave Room a the Rio Grande in Fort Collins.

E-mail your event photos to Editor Kate Hawthorne, [khawthorne@ncbr.com](mailto:khawthorne@ncbr.com). Include complete identification of individuals.



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# ECONOMIC ROUNDTABLE

## ROUNDTABLE, from 1

resented the banking industry; **Marcia Coulson**, CEO of Eldon James Co., a manufacturer of plastic fittings and tubing, with facilities in Loveland and Fort Collins; **Josh Guernsey**, principal and partner with Brinkman Partners, a commercial brokerage and development firm that also includes Brinkman Construction, a general contractor, in Fort Collins; **Jessica Hergenreter**, director of Employer Solutions Group — ESG — which provides HR services for businesses throughout Northern Colorado; and **Eric Thompson**, president of The Group Inc. Real Estate. Andy Grant of Grant Farms was scheduled to attend but could not join the discussion.

Questions were asked by **Kate Hawthorne**, editor of *NCBR*; **Steve Porter**, staff writer who covers health care, agribusiness and natural resources; **Joshua Zaffos**, who covers technology and green business; and **Jeff Nuttall**, publisher.

**KATE HAWTHORNE:** First of all, how did 2010 compare to 2009? Let's start with banking.

**LARRY WOOD:** In 2009, everybody started to recognize that there's a problem out there. In 2010, it's been more, 'Okay, now we've accepted it. We have to move some toxic assets off the balance sheet. We have to improve our capital.' And so we understand that, and then you have the regulators jumping in and putting restrictions on the banks on their capital and on their reserves, which causes a major problem. So 2010 was kind of that acceptance and realizing what the regulators were wanting and trying to figure out how to get it done. Most banks have gotten it done. And then 2011 is really going to be similar to 2010, although I don't think you're going to see more banks getting in trouble, because everybody is in trouble already. It's not going to be a real banner year, because you need to make loans and make money off of your deposits, and we really don't have that in 2011 yet. I don't think the confidence is there for people to borrow money.

**MARCIA COULSON:** Manufacturers pretty much got lean and mean in 2009. They decreased inventory. They laid off extra personnel. And then we experienced about 18 percent growth in 2009, even though it was a concerning year. This year, we had about 33 percent growth, and we found that customers were once again stocking products, building more products, and this year was a delightful year. Every once in a while you get a year that makes you appreciate the good things, and 2009 was that year for us. Then 2011 looks like a lot of seeds have been planted and it could be a banner year for us and other manufacturers that we work with. We get a pretty good feel for the industry, because we do sell components to a lot of different industries. So across the board, we're experiencing growth, even in the automotive market that's been hit pretty hard.

**JOSH GUERNSEY:** 2009 was a year everyone was running scared, trying to figure out what's happening. 2010 was

more of a year of being conservative.

We're seeing transaction volumes come back, both on the leasing and the sales side, so that's been the positive indicator. So I'd say we're in some form

of recovery into 2010, and looking forward to 2011. I think it's going to be better than 2010. You're seeing an overall stabilization of the market. Lease rates have stabilized, vacancy rates are stabilizing, and you're starting to see positive absorption, especially in office space, which is a great indicator. Because as that space gets absorbed, the next step will be moving forward, and it's going to create development opportunity. Everybody got lean in 2009. And I think it's going to make for a healthier market going into 2011.

**JESSICA HERGENRETER:** From a regulatory perspective, in 2009, we started to see federal enforcement that was up, both on the Department of Labor side and on the OSHA side. And with that enforcement comes increased regulation, and unfortunately, that happened at the exact same time that employers were having to operate leaner and get back in their business, and the last thing that they had time to really think about or deal with was increased regulations. So 2009 was a reactionary year for the way regulations were dealt with at the federal level. In 2010, as you know, the health-care reform was enacted, and I think it's a symbol that a lot of employers are scared of it, and don't really know where to get resources to understand how it's going to affect their business.

For our client base, we're not stabilizing. We thought we had seen the worst of layoffs in February and March. We had a little bit of recovery in April and May. We did not see the summer recovery like we usually do in payrolls. Payrolls are down in our businesses about 27 percent, and we're continuing to do layoffs throughout this month. But health-care reform, is, I think, a challenge for 2011.

**ERIC THOMPSON:** In residential real estate, 2010 was a pretty interesting year, a year with virtually the same number of transactions compared to 2009 and with essentially flat prices. But I think three things come to mind when we look back on this year. Number one, 2010 was really the tale of two halves of the year because of the tax credit. It had to be under contract by the end of April and closed by the end of June. So that created a big surge of activity in the first half of the year. So things did fall off through the summer in the last year, but we've seen a rebound of things returning back to normal, more like the end of 2009.

The second thing is how our markets compare to other markets across the nation, and I'm continually reminded



**Eric Thompson**

"If you have less than six months of inventory in a price range, it's a seller's market. More than six months, it's a buyer's market."

how good our real estate market is, comparatively speaking. The Fort Collins/Loveland market over the last year, the prices are up about half a percent, that puts us in the top quarter of metropolitan areas nationally.

And the third thing that comes to mind for 2010 is we saw the emergence of what we call a dual market. Below certain price points, you could be a seller in a seller's market, and if you were moving up, you could be a buyer in a buyer's market. If you have less than six months of inventory in a price range, it's a seller's market. More than six months, it's a buyer's market. So, for instance, in Fort Collins, if you were selling a home below \$300,000, you're selling in a seller's market; and if you're moving up to a home that's \$450,000, you were buying in a buyer's market. So we saw these distinct breaks in all of our markets in Northern Colorado — that was a pretty neat dynamic.

**THOMPSON:** We just had Dr. Lawrence Yun here. He's the economist for the National Association of Realtors, recognized as one of the top 10 economists in the country. He was making the point that the 2009 and 2008 vintage of mortgages are some of the strongest ever, if not the strongest ever. So initially, you think, what a great thing. His point was it's not great news, because what that's telling him is that mortgages are too strict right now, for good reason. Banks are really having to be extra-conservative on who they lend money to, but it's telling him that things are too cautious, too conservative, and we need to loosen our grip.

**HAWTHORNE:** On the commercial side, are you still having challenges with financing?

**GUERNSEY:** Absolutely. You have to fit in a pretty small box to get a commercial project financed right now, and that small box is usually owner-occupied real estate. Some investment deals, it's going to be a really strong deal with a really strong borrower for those to get financed. I think that's going to be our biggest challenge, going into 2011. And the other thing we're faced with on the commercial side, a lot of these loans were made in 2006, 2007, 2008, and had five-year maturities on them. So now 2011, 2012, 2013, those loans mature, and the values are down. Banks are going to need new ratios. So I see that being a huge, huge challenge going into at least the next year or two.

**HAWTHORNE:** And what are the challenges on the bank's side?

**WOOD:** There are a lot of challenges. If you're on some sort of regulatory watch, the guidelines that you have to live within are onerous. They are very hard to maintain. It's basically no exception. So your debt-coverage ratios, your loan-to-values, have to be within that box you're talking about. And so hitting that box in today's market is very hard because the loan-to-values, generally, are out of line. People don't have the cash to pay it down.

On the mortgage side, it's the same thing. You have guidelines that have to be hit, and you have to have cash in, so people want to wait to get back to nor-

mal. It's a new normal right now, and we're living it.

We are trying to lend money. All the banks are very liquid. If you look at their financial statements, they have a tremendous amount of cash. Normally, you put it out in Fed funds overnight to make money. Fed funds right now is paying zero. On those deposits, we're paying FDIC insurance at the highest level we've ever paid, and at the same time, we have all of this cash sitting there losing money.

And people aren't wanting to borrow. People want to get out of debt. Getting lean and mean is getting rid of those monthly interest payments. And so it's just kind of augers in, then, as you try to loan money, you have all of these things working against you and you can't get it done. We're going to need confidence to come back, people to take a chance. And people don't have that confidence to take a chance.

**HAWTHORNE:** And how long do you think it might be before the brakes get put on the auger-in?

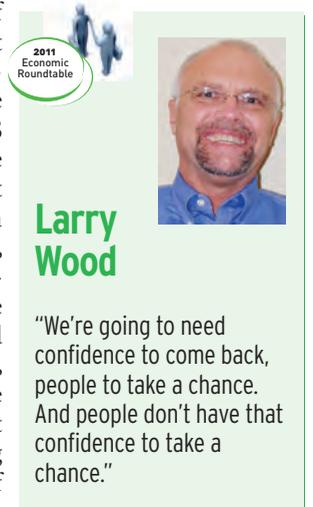
**WOOD:** I think it's going to be a little slower for the rest of the United States, but I have a real positive on Northern Colorado. I think by the end of 2011, we're going to see a lot more jobs come online, particularly in Weld County. You have Leprino, which is going to be hiring 300 to 500 people. You're going to have to come up with 95,000 more dairy cows in Weld County to provide that milk. That's a lot of construction, a lot of new animals in the market. The ag industry is going to continue to grow over there.

Vestas, they're still coming out of the ground down in Brighton. That's going to be a large number of people that they're hiring. You've seen JBS Swift, the largest meat provider in the world, their headquarters are in Weld County, and they're looking at doubling the size of their corporate headquarters.

So you have a lot of jobs coming on, but it's going to require some construction and some time, and that's not going to happen until toward the end of '11, so '12 looks like it could start up, and we're really looking at '12 to start up and '13 to be back into making new loans and doing a lot. 2011 will be fairly flat.

**HAWTHORNE:** There are lots of people, obviously, who need jobs. And there are companies that are hiring. So what's the disconnect?

**COULSON:** We are offering jobs \$12 and \$14 an hour and finding that people would rather stay home and collect unemployment. So the government is de-incentivizing people to go to work.



**Larry Wood**

"We're going to need confidence to come back, people to take a chance. And people don't have that confidence to take a chance."

# ECONOMIC ROUNDTABLE

## ROUNDTABLE, from 20

I'm starting to ask in interviews, 'What have you been doing since your last job?' And I'm starting to discriminate against those who have been sitting at home for two years, collecting money from the government. So I have a real problem with that, because I think they could have been working but have been incentivized to stay at home and collect unemployment. So we have a real problem, and then you've got people who have been sitting at home for two and a half years. They've fallen behind on work skills, work ethic, organization at work, perhaps, and they may not be employable even at that \$12 to \$14 anymore because they've lost track of their computer skills and working with other people skills and working with other people.

**HERGENRETER:** Just in the state of Colorado, we had benefit payments in

2005 of \$305 million, and in 2009, we paid \$1.06 billion in unemployment benefits. And then what I'm really worried about is that in June 2009, the insurance fund in Colorado had a balance of \$340 million.

Persistent weakening of the economy because of layoffs and people paying taxes in, we're now at a \$20 million shortfall. We're borrowing \$22 million a week from the Federal government, and this unemployment rate is something that we're not talking to our employers about. We're seeing a 30 percent increase on our client companies on unemployment.

**COULSON:** Who pays into the unemployment fund?

**HERGENRETER:** Just employers.

**COULSON:** So now we're borrowing from the Federal government. Who's going to pay that fund back? Just employers. And employees act like it's their money. But it's the employers who fund it. I think if we run it like any other business, you go broke, and that's the end of it. The economics of the whole thing don't make sense.

**HERGENRETER:** In addition, in Colorado, we pay to the first \$10,000 of employee per year. One of the lowest in the country. Our surrounding states are \$25,000, \$30,000. So they extend unemployment benefits again. I don't know how they're going to fund it.

**HAWTHORNE:** So if we were suddenly in charge of fixing this unemployment problem, what would we do?

**HERGENRETER:** First of all, and I know that it can't be that black and

white, but I think there needs to be rules of engagement. I think the state has to help us understand better how unemployment tax rates are calculated and how over time, we can be effective at managing that expense. Workers' Compensation does it perfectly fine. Your history stays with you three years. You understand it's because of experience, and that model would work for unemployment. They kind of do that, but then they add on all these little charges that nobody understands. That's the problem.

**COULSON:** You never know what you're capable of doing until your back is against the wall. So I think, if unemployment is broke, it should go away. There's a fund that can be replenished.

**STEVE PORTER:** How do you reduce unemployment and pay those benefits? One of the best ways of doing that is job creation, good jobs that people want to go out and get. And so what I'm hearing from everybody here is that things are looking better for 2011 — manufacturing, hiring, commercial and residential real estate — and that has happened under some very tight lending restrictions. I'm wondering if people think that now is the time to relax those federal lending rules a little bit, or if we should just keep squeezing the economy on to a better day?

**WOOD:** I'm not sure that relaxing them is going to bring a lot of people to the table. We beat the streets looking for people that want to borrow money under any circumstances, and we're getting zero. It's just a minimal number of people that want to borrow. You talk to somebody about getting those interest-only for the first 10-year mortgage loans. People are afraid of those. They've heard all the negatives, so even if you had some of those products available, I don't think people would take advantage of them. So I'm not real sure that loosening up is going to help an awful lot. I think the confidence has to build a little more.

**PORTER:** The money's got to be there to create jobs, to expand the production lines and so on.

**WOOD:** But they have to know that they have something to sell. There are some real successes. Look at OtterBox. They're doing very, very well, but they're an anomaly in the market right now. I think 2011 isn't going to get any worse, but I don't think it's going to get a hell of a lot better. And I think that's good. If we can stop the slide, that would be good.

But in talking to some of the employers, I had a couple of things. Aren't we also experiencing a lot of people that lost a lot of money, they were 65 and lost it in the market, and that group is coming in and filling in some of those jobs also? So it's not that when the unemployment runs out, those jobs are going to be available. They've been filled. So those people are going to be out there without a job waiting.

**HERGENRETER:** You're right, the jobs are being filled, but I think from an employer perspective, we're not always getting what we think is the candidate we want right away. At the same time, we have college graduates coming out, high-

ly educated, who would be great for new thinking, innovation, new ways of doing things, but your 65-year-old, 70-year-old employee, they're not leaving their jobs. And now what we've been seeing in the last year is a lot of these 23- to 27-year-olds are not even coming into the workforce. They're actually just re-enrolling in college. So one thing that I think will be interesting is, we look to hire office managers who have master's degrees. What does that mean to us for hiring, particularly in Fort Collins? We have a highly educated workforce anyway. So it has all these unintended consequences.

**HAWTHORNE:** So we might as well talk about benefits, and health care reform.

**HERGENRETER:** So the first thing that I think a lot of employers are really struggling with right now is whether to grandfather or not to grandfather. If you had a health plan in place before March 23, 2010, that became your plan; and if you didn't want to make any changes to it and you wanted to keep it, then all of a sudden, you could call it a grandfathered plan. But to keep this grandfathered plan, you couldn't make any significant changes to it.

So why would someone stay grandfathered? The biggest effect working right now is on small to midsized employers who have a benefit plan that gives greater benefit to highly compensated employees — we call them management carve-outs. For example, the top five executives, they want to pay a hundred percent of their premiums and their family's premiums, but for the rest of the employees, they only pay 50 percent or maybe they don't offer it at all. During grandfathering, you can't make significant changes in your plan in terms of benefits, pensions. If you do, and you don't offer it to all your employees, you're going to pay a \$100 tax per employee per day.

I don't think it's inhibiting people from hiring, but I think it's freaking them out from offering health care. In conversations, it's been so bad for the last couple of years anyway because of rate increases that they're saying, 'I don't know where to go with this one.'

**PORTER:** Don't you think there's a lot of information on the Internet, particularly from the federal health-care reform site, to enlighten people?

**HERGENRETER:** It's very directed

for the consumer, to the employee. There's some information for small businesses, but there's not a comprehensive solution say, 'OK, I've got 25 employees. This is what my plan is doing. What do I have to do this year? What do I have to do the next year?' It's hard to get somebody to bring you through the whole life cycle. Everybody has their fingers in it. Health and Human Services. IRS has a piece of regulation. And the Department of Labor. If you have a full-time person to do the regulations, who do you start talking to first? And we're waiting for interim final regs.

Is there anything good in it? There's a

See **ROUNDTABLE, 22**



**Jessica Hergenreter**

"I think the state has to help us understand better how unemployment tax rates are calculated and how over time, we can be effective at managing that expense."

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# ECONOMIC ROUNDTABLE

## ROUNDTABLE, from 21

small business tax credit. If you have 24 or fewer full-time employees whose average compensation is less than \$50,000, you can get a tax credit of 35 percent of the employer's portion of the premium. But it's a degrading tax credit. So for every employee over 10 and every wage over \$25,000, the tax credit starts to go away.

We have a nonprofit here in Northern Colorado. The average person makes \$37,000 a year. They're not high income earners, and they have 27 employees. By the time we did the math, which took us almost two hours, their tax credit was zero. The important part here is — by the time we did the math. We do all their HR and payroll, so we have really good data. How many employers really have that kind of data? They don't.

So if you have 10 employees and everybody is making about \$27,000 a year, yeah, those aren't people who have health care. We're trying to incent them to get the health-care plans, but even at 35 percent of the tax credit, it's not helping.

Because everyone was talking about health-care reform, the HIRE act got passed unnoticed. But essentially, most people benefited from the HIRE act, because if you hire employees that haven't been working for 60 days then you didn't have to pay the employer FICA match this year. And if you retained them for 52 weeks, you got an additional tax credit. That is a tax benefit that employers could really use.

The other benefit that we have to talk through is the cafeteria plan. In a cafeteria plan, you have a plan in which you have 100 or fewer employees, you could say, I'm going to give you 400 bucks a month, and you guys go buy your benefits with it. That's really a cool way to do it, and people really get engaged in that, and you see your participation go up. But it used to be, you'd have a whole lot of documentation and things like that, and they passed the cafeteria plan health-care reform. That's a benefit.

You know, in 2012, we'll have to report, on their W-2s, employees' cost of health care. The government wants to know what that is. So again, for people who outsource this stuff, it's easier, because hopefully, their provider is tracking these things. For the small employer who is writing payroll in QuickBooks, are they tracking that? I don't know. I think it's going to cost them time, money and energy, and I think the penalties are frustrating, because there's not a lot of recourse in how you do it.

**HAWTHORNE:** And I know that a lot of the people who work for The Group are not employees, right? So is it even more complicated for you, Eric, or would it be an incentive to make everybody an independent contractor?

**THOMPSON:** We have close to 200 real estate agents as sales partners, and they're all independent contractors, so in some ways, it makes it less complicated. But they're out on their own, trying to find their own health insurance, and that gets incredibly expensive.

**HAWTHORNE:** Have you had anybody say, 'In this market, I'm not making any money, I have all these expenses, I'm not selling real estate anymore'?

**THOMPSON:** Across the country and in the state of Colorado, we've seen the number of real estate agents drop. I think nationally the numbers are down 10 percent compared to last year. Just like we saw a run-up in health prices and transactions, we actually saw a run-up in the number of real estate agents, and frankly, people weren't in business for the right reasons, people that shouldn't be selling real estate anyway.

**HAWTHORNE:** Do you think as a result you have people there now who want to be there?

**THOMPSON:** Absolutely. What's going on now in real estate is exciting, and what that is, for four years in a row, we had flat prices. That's never happened in 30 years of recording price history. So the value of the real estate agent, what they need to bring to the game is how to help a seller price their property, because in the past, you could get away with overpricing a property, because even if you have one year that was down, the next year it was going to bounce back up. That was, in essence, a safety net of overpricing of property. The market would eventually catch you. Now that's not happening.

Where a seller in Northern Colorado — again, one of the more healthier markets in the country — puts their property on the market, and they have only 50 percent odds that that property is going to sell. We've been tracking to see what happens, properties that are priced right on day one versus properties that are not, and it's staggering, the difference. The properties that are priced right on day one will sell two to three times faster than properties that need reductions over time. Properties priced right on day one will get 98 percent of list price. Properties overpriced will get 95 percent of price. I'm not talking 95 percent of first list price. I'm talking 95 percent of the last list price. So, yes, we're ending up with just a stronger, more distilled agent force out there helping sellers through one of the more challenging, complicated times that we've ever seen in real estate.

**HAWTHORNE:** And how is the inventory of foreclosures?

**THOMPSON:** Well, this is another area where we're shining compared to the rest of the country. Our rate of foreclosures is about half compared to the rest of the country. So we're not seeing the level of impact that other places are

seeing. Depending on the market that we're looking at, we're between seven and nine months of inventory overall, and again, by definition, anything less than six months is a seller's market. So, yes, it's a buyer's market overall, but I think our inventory levels are fairly healthy.

Short sales are a challenge right now for sellers. Short sales have become more complicated. It puts the seller in a hard position, because they cannot get an answer from the lender, and also puts a buyer in a hard position, because the buyer is waiting, waiting, waiting for the short sale to be approved. And meanwhile, they've taken themselves off the market. They're seeking other opportunities to buy a home that may come up. We're seeing that these transactions take weeks and weeks to get approved, and it's very frustrating all the way around. That's something that needs to be addressed, I think, on the national level.

**WOOD:** The problem is the bank has to decide they're going to take a loss. And they've got to write that off, and generally on a short sales, no chance of getting it back, because what the seller is going to say? 'Either take the short sale or I'm going to file bankruptcy.' What do you want to do, fight through the bankruptcy, or do you want to sell the property? And when you're dealing with a bank, it's not a decision just on selling that house. One, you catch a lot of grief if you sell something cheap in the market and affect the comps for the neighbors and somebody else that you have a loan with down the street.

The other thing is you're having to watch your equity capital in your organization. And the only way you can take that loss is if it comes out of equity, so you may not have enough equity to take that charge off. So the chief financial officer becomes the big decision maker on whether or not to take that short sale, not the logic of, does this make sense and shouldn't we just move out of it? And then you don't want to create comps that you're going to have to live with.

**GUERNSEY:** Speaking of the comps, that's a huge issue on the commercial side. Say you have an arm's-length transaction on a piece of land. Buyer, seller, agree on a price so, you know, here's the contract price. Appraiser goes out and does the appraisal. He's got four good arm's-length transactions. They all support that value. And then there's two that the bank had to sell as a foreclosure-type deal, and these comps come in low. How do you reconcile that as an appraiser? Are those market value? Should they be included in the value on the appraisal? Looking forward to 2011, I think it's going to be a huge issue. How do you reconcile and what is the market value of that property, given the distressed comps that come into play?

**WOOD:** You can't hardly do an appraisal without using those comps. And appraisers have been under strict notice, several under indictment in the area. Some will probably do jail time. So the regulators, they really review those appraisals when they come in and have to make sure they're correct.

I don't think we really know what anything is worth right now. We've had

multimillion dollar properties sell for six figures, and is that a comp? Is that really what it's worth? Or is that what it's worth today when I have to get rid of some toxic assets? And is that a value we want to go forward with? And a lot of those foreclosures are selling under the cost to build. We have a lot of unemployed subcontractors, so it's real cheap to build a house now, you'd think. But it's hard to find a subcontractor. Find a drywall. They've gone and taken jobs elsewhere. So it's not cheap to build new, and those foreclosed properties, they tend to be the cheaper thing to buy.

**HAWTHORNE:** Has that been an issue on the commercial side?

**GUERNSEY:** I think as painful as it's been for all sectors, I think it's been a healthy cleansing process. Better agents coming on the back end of it. A lot of the guys dabbling a little bit in commercial, they've kind of gone away. So I think there's a more professional level on the real estate side. I think on the construction side, it's created a great opportunity, because there's been some whittling down of companies, and it's created a huge talent pool out there. Our industry is one of the hardest ones hit, and yeah, you have to wade through all the resumes, and there's a lot of people out there looking for work, but there's some incredible talent. A young company like ours, looking to grow and looking to capitalize on opportunity, that has created a tremendous opportunity there is going to be less competition on the back side of this whole downturn.

**HAWTHORNE:** So has inventory affected you? Did we overbuild office just at the wrong time?

**GUERNSEY:** I don't know if it was an overbuilding. I think we were building for the velocity at which the market was growing. So the amount of space on the market affected the health of commercial real estate. But that's starting to get absorbed now. We saw about a 25 percent reduction in overall rental rates, so those have stabilized. And I think we're seeing, as those stabilize, the health of the market coming back. But landlords have had to really evaluate where the market is, not what they want or need for a space, but where is the market, and that's the rate we can get for this space.

I think it's going to be 2012 before you see any type of new construction, because 2011 is going to be just another year of absorbing that inventory and letting that confidence come back where people are wanting to expand and look at new facilities. That's going to start, I think, toward the end of 2011. We're talking to a lot of companies that are going to start looking at that expansion in 2011, but I think it's going to hit in 2012.

**JOSH ZAFFOS:** Are you seeing major shifts in rentals? How does that figure into where the region is? Are we seeing more folks outright owning property versus families moving back to rentals?

**THOMPSON:** One thing we watched during the run-up is not only prices and number of transactions, but the home-



Joshua Guernsey

"I think as painful as it's been for all sectors, I think it's been a healthy cleansing process."

# ECONOMIC ROUNDTABLE

## ROUNDTABLE, from 22

owner rate got close to 70 percent. And historically, that number tends to be about 63 percent. So we're seeing that number come back down to be closer to history. How that's showing up is, we have lower than ever vacancy rates, and boy, you combine that with lower-than-ever interest rates, and this is an amazing time for investors in real estate. And when I say 'investor,' I don't mean 'buy and flip.' I mean people that are owning this rental property for a long time, and maybe getting a 15-year loan, paying it off, and now becoming a source of income for them later. This is a matter of owning property in a healthy market over the long term. And about getting that property paid off and realizing good income.

A piece of good news for us in Northern Colorado is that Dr. Yun really sees a trend with college towns having strong markets for the next 20 years. You look at demographics, the population that's the age that will be going to college for the next 20 years, we also see a higher percentage of people graduating from high school and a higher percentage of people going off to college. So that's good for Fort Collins, Loveland and Greeley.

**WOOD:** I also think that the Fed did a study, and areas that have community colleges — Front Range, Aims — those community colleges are really helping the economies, because they're bringing people in and they're popping out with certificates and ability to go to work in two years versus four. So they're showing that they are very positive influences on communities.

**ZAFFOS:** When you mentioned a reluctance to hire folks showing large gaps in employment, are they people just out of college, or people who have been in the field for a long time, or people from Colorado versus people still migrating here from the Midwest or wherever else?

**COULSON:** I'm seeing all different age ranges. We are seeing the young, just out of school, trying to get that first job. We've seen a lot of college graduates who can't get a job, so they're looking at, 'I guess I better go back to school.' The jobs that we're hiring for at this point are a mix: you need to bring some skills, but also we have a lot of jobs that we can train for. Those jobs that we can train in-house for are the ones where we're having a hard time competing with unemployment benefits. That would be somebody who has had a job and has a pool of benefits available to them. They have it somewhere else versus a kid coming out of school.

**HERGENRETER:** I think it depends on what you're hiring for. We actually counsel our clients that are looking to hire. Sometimes that actually means we look at resumes with them, and what's really interesting is the pattern — I'm not seeing a lot of the 23- to 26-year-olds looking for work. But it's interesting, because one job, we were actually hoping that was the type of person we would get, because we wanted some fresh ideas. It

was something that they could easily train. It was kind of more of a green job, in that industry. And so they were hoping for someone who had been potentially at CSU and really engaged in development and thinking. We just didn't get the applications here in Fort Collins. We are finding a lot of people who have been laid off and who are trying to retool themselves. There's a lot of people from California and Texas applying for work and able to relocate here. But we're seeing that people are having a hard time identifying what they want out of that pool of candidates. You can find a CPA, someone who's been a CFO, to fill a controller spot for \$60,000. Is that good? That's the question. Is that right? I don't know.

**HAWTHORNE:** Andy Grant could not join us this morning, so Larry, I was wondering if you could talk a little bit about the outlook for agriculture, especially in Weld County?

**WOOD:** I think agriculture is very good. The prices are strong. The ag industry has increased their leverage. They've paid off loans. Instead of going out and buying a new tractor, you see them using the tractor still, not because it's poor times but because they're trying to be as efficient as the rest of us are trying to be. It's growing. It was hurt by New Frontier (Bank's failure), and there were a lot of farmers that were hurt because they were lent too much money. Fifty percent of a banker's job is to look a person in the eye and say, 'This isn't going to work.' A cow can service \$1,500 of debt, and when you lend somebody \$2,000 a cow, they're going to go broke. You have to tell them no.

In general, ag is looking good for the future. The only thing that can really hurt is weather.

**PORTER:** Could everybody address one thing they would like to see happen in 2011?

**COULSON:** I would like less government in business.

**GUERNSEY:** Or more clear communication between government and business. I think just removal of uncertainty is really what's going to get things flowing again. Whatever the government can do to infuse certainty back in the marketplace. Over and over again, we hear from business owners, uncertainty relative to health-care regulation or whatever it might be, if they can remove that uncertainty and at least create knowns for businesses, I think that's going to go, tremendously, a long way.

**COULSON:** That, and we don't know

how to plan for business in the future because we don't know what the tax consequences are going to be. If you take away all the benefits of owning a business, they won't have as much business.

**GUERNSEY:** The tax issues extend to investors. What's going to happen with capital gains and those types of considerations. The home-mortgage interest tax deduction. I think all those kind of create a little bit of uncertainty in the marketplace that extend from businesses to investors to homeowners.

**HERGENRETER:** My hope is less regulation on unemployment taxes, and unfortunately, I think I'm not going to get what I want for Christmas. I really wish there would be less alphabet soup out there for employers. There's going to be more government, unfortunately, on the employment side for the next few years. Can we at least be consistent with the way with we deal out the message?

**THOMPSON:** I look forward to a couple of things. One is a year without an artificial incentive in the market, without the tax credit. I think it's better for everyone to go find out what the real market is, without an artificial incentive. And I also look forward to the consumer getting back to the historical definition of home ownership and the benefits of home ownership. It's not about a quick hit and incredible appreciation in the short run. So I look forward to that, peo-

ple seeing home ownership for the right reasons.

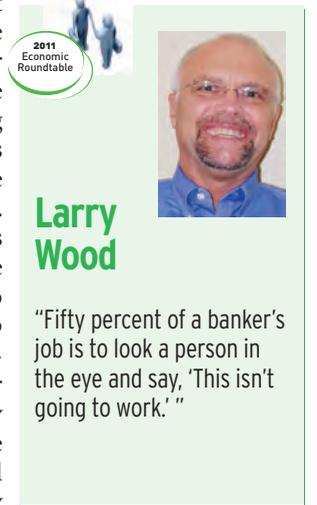
**WOOD:** And I'd echo some of the government regulation. I think that some of it needs to be adjusted, but let's watch how immediately we want this done. The timing is a problem. It forces banks to liquidate assets in a very short period of time, which reduces the price and decreases the comps and continues to perpetuate a negative. We need to stay confident, but we need to understand that today is reality. And we can't dream

about what used to be there. Our children are not going to make as much as we do today. The jobs that are going to come up aren't paying near what they did in the past and probably aren't going to for the future. And accepting today's reality would be a real positive.



**Marcia Coulson**

"Those jobs that we can train in-house for are the ones where we're having a hard time competing with unemployment benefits."



**Larry Wood**

"Fifty percent of a banker's job is to look a person in the eye and say, 'This isn't going to work.'"

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# COMMENTARY

EDITORIAL

## Hopes, wishes for the coming year in NoCo

It's New Year's Eve, which means it's time for our traditional new year's wishes and resolutions for Northern Colorado.

One tradition we'd like to leave behind next year is our annual wish for more good, high-paying jobs. We know there are a lot in the pipeline at Leprino Foods and the like, but we would like to see them start to fill with actual workers this year to help pull us out of the Great Recession.

Along those lines, we hope that NASA and the Colorado Association for Manufacturing and Technology give serious consideration to a couple of Northern Colorado locations practically move-in-ready for their planned testing, research and manufacturing facility. Either the long-vacant HP building in Greeley or the Agilent campus in Loveland would be a dandy location for the billion-dollar high-tech park. We hear there may be some space available over in the Fort Collins Downtown Airpark soon, and maybe some raw land south of the Gardens at Spring Creek, too.

And speaking of economic development, we hope that the new year brings Don Marostica a nice new job. Maybe something local, maybe something that can use his considerable talents for bringing people with various viewpoints together to work for the common good.

And speaking of working for the common good, we wish all the best to John Daggett and the Embrace Colorado effort. Anything that can bring Weld County and Larimer County closer together to identify and address issues that affect the entire region, to help create a more vibrant regional economy, is something we can support in 2011.

And speaking of bringing the two counties together, we hope the repair and improvement of the Colorado Highway 392 interchange with Interstate 25 gets under way soon, is completed on time and within budget, and stands as a lasting example of what regional cooperation — in this case, between Fort Collins and Windsor, with substantial help from the state highway department and federal stimulus funds — can accomplish.

In fact, one of our resolutions here at NCBR is to support regionalism throughout the year. We resolve to help business organizations, elected officials, nonprofits and individual companies large and small find ways to connect with each other, to promote healthy cooperation among friendly competitors — “co-ompetition,” if you will — and to facilitate the public discussion of regional issues within our pages and online.

A prosperous — and cooperative — 2011 to all!



“OH BOY! THEY ARE READY FOR YOU DOWN THERE, BELIEVE ME....”

## LETTERS TO THE EDITOR

### Marostica stepping down from state eco-devo post

(Business Report Daily, Dec. 10, 2010)

Don Marostica has demonstrated to be the most accessible cabinet level officer I have interacted with in Colorado State Government. He listened to rural Colorado needs and took action to help solve challenges brought to his attention. Don used his office to also bring access to other State Agencies for many of us in rural Colorado who could not directly achieve necessary access. Don Marostica is a model for others to follow in serving State Government. Perhaps it was his experience as a legislator that taught him that it is the people of Colorado who are to be served by Government and not vice versa.

Pat Duran  
Yuma

Too bad. Don did a great job; the tourism industry will miss him.

Jim Clark, Fort Collins CVB  
Fort Collins

### Rawhide named top-performing coal plant

(Business Report Daily, Dec. 14, 2010)

OK. Good on the power thing. Now how about some transparency on the mercury, etc. pollution issues.

Michael Stenson  
Wellington

They just installed mercury removal technology, way ahead of regulations requiring them to do so. As for other types of pollution, it's one of the very cleanest plants in the nation. They use low sulfur coal and keep their air emissions a fraction of what EPA requires. Ash is recycled or sold to make bricks. Not all coal plants are good players, but this one is.

Gale McGaha Miller  
Fort Collins

### Airpark Village faces foreclosure

(NCBR, Dec. 17, 2010)

It has been my understanding, as a Commercial Pilot, that the Downtown Airpark was of no concern to the FAA, for it was a private enterprise and the public was allowed its use. No Federal monies were ever granted to this airport. It has always been owned by a group of individuals and/or businesses. I, myself, would still use the runway on occasion, had not some idiot individual bulldozed up a hundred feet, more or less, in its center.

Jack L. Miller  
Fort Collins

### Loan pipeline flows just steady enough not to freeze

(NCBR, Dec. 17, 2010)

Most of the stability is due to SBA loans. Without which we would be in serious trouble. Though conventional financing is starting to come back, little by little.

Jeff Rauth  
Birmingham, Mich.

### Plan Fort Collins targets city's future self

(NCBR, Dec. 17, 2010)

Who cares what David May at the Chamber thinks about PFC? He was involved every step of the way, and just because his narrow “vision” for Fort Collins was not supported by the stakeholders does not mean that this document is light on economic ambition. In fact, the economic strategy in the plan is one of the most exciting and feasible elements. If Mr. May's idea for economic vitality in Fort Collins is to stop infill and redevelopment in favor of easier, sprawling greenfield development, then maybe he should move to Texas. We had that discussion in the '90s, and this town made the right choice.

Sam Widrenth  
Fort Collins

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## FINANCING, from 15

ing buildings more energy efficient. The concept has been in existence since the first on-bill financing system was offered by PacifiCorp in 1989 in various states throughout its western U.S. service territory. The company had largely abandoned the tariff-based program by 2000, but since then several utilities across the country have implemented similar programs, and others, including Fort Collins Utilities, are exploring the option.

### Pilot projects

Public Service New Hampshire and New Hampshire Electric Cooperative recently administered a pilot project for that New England state. An independent report on the project claimed it resulted in more energy-efficient measures being installed than would have occurred had the program not been implemented. The report also indicated that the program was successful in overcoming some of the traditional obstacles associated with the installation of such measures.

Midwest Energy, a cooperative utility based in Kansas, launched a tariff-based system, Howsmart, in July 2007 as a pilot project covering only a portion of the service area. The program was expanded to include the entire service area in September 2008.

Unlike other programs, Howsmart requires building owners to assume responsibility for repairs if the efficiency measures fail, reducing utility involvement between the customer and contractor. The Alliance to Save Energy expected this feature to deter interest in energy efficiency upgrades in an analysis of the program, but Michael Volker at MWE claims both the customers and contractors prefer such a direct relationship to the utility acting as an intermediary.

"The biggest headache that we run into is notifications," Volker said, referring to a home seller's responsibility to let potential buyers know there is an additional upgrade charge tied to the utility bill. He said there have been a few instances where confusion arose when the seller failed to provide the buyer the required written notification.

### Local program in the works

A local nonprofit is leading an initiative to generate support from Fort Collins residents and businesses for the adoption of an on-bill financing program through Fort Collins Utilities.

According to Chantel Havre, program director for the Community for Sustainable Energy, the group began campaigning for an on-bill program after the Larimer County Commissioners declined to adopt a Property Assessed Clean Energy (PACE) program earlier this year.

The PACE program would have authorized the county to lend funds to qualifying local residents for energy efficiency upgrades. The funds would then be repaid through an assessment of their property tax for a period of up to 20 years. The group testified before the commissioners that such a program would make energy efficiency upgrades affordable to those citizens who need them most.

According to CFORSE's website, Eagle, Pitkin, Boulder and Gunnison counties have already adopted PACE programs.

Although the PACE effort failed, Havre feels as though it is a blessing in

disguise, making an on-bill program a more attractive option. In addition to offering local residents and businesses access to otherwise costly efficiency upgrades while ensuring lower utility bills, implementation of such a program is consistent with goals set forth in the 2009 Fort Collins Utilities Energy Policy. One of those goals is "to continuously reduce energy use through verifiable energy efficiency programs, independent of population growth and economic trends."

Representatives of Fort Collins Utilities did not respond in time for comment on this story.

On-bill financing also has potential to move downtown Fort Collins closer to achieving the goals of FortZED, the net zero-energy district project that has been under way for several years, and another effort supported by the city's utility, according to Havre.

## NCBR poll watch What kind of holiday party is your company having?

Catered blowout 10%

Dinner at a restaurant 22%

Potluck 34%

None 34%

### Next question:

In 2011, I resolve to...

Answer now at [www.ncbr.com](http://www.ncbr.com). Responses will be accepted through Jan. 10.

These results reflect responses to the online poll at [www.ncbr.com](http://www.ncbr.com) Dec. 13 - 27.

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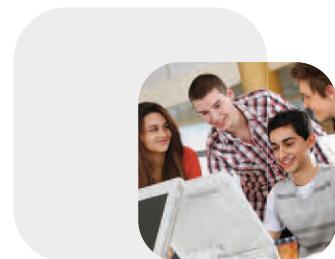
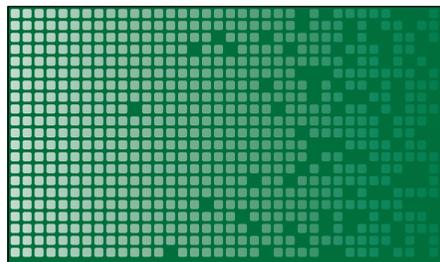
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	<b>April 7, 2011</b> The Green Summit shows how business and environmental stewardship go hand-in-hand. Exhibit space & sponsorships available. Sponsored by Colorado Carbon Fund, Governor's Energy Office, Kennedy & Coe and the Better Business Bureau.
	<b>May 19, 2011</b> Awards program and cocktail-hors d'oeuvres reception honoring 100 fastest growing privately-held companies in Northern Colorado. Sponsored by Mueller & Associates, CPA
	<b>July 14, 2011</b> Tickets \$39 per person
	<b>August 10, 2011</b> Celebrating the contributions women make to the Northern Colorado community. An awards event. Nominations now open at ncbr.com. Sponsored by EKS&H, CPA
	<b>September 15, 2011</b> Embassy Suites Loveland Game On! Exhibit spaces and sponsorships available.
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## ARTREPRENEURS, from 3

op strategies and plans. I'm not sure how comfortable they are with that. It's common to find an artist whose spouse is their business manager."

For Thompson, the business of art is no different than any other business. There can be issues with cash flow. Marketing and advertising efforts have limited budgets. The artist needs to build and manage a brand that is recognizable but that allows for growth and evolution. Persistence is the key to growing exposure and developing brand recognition.

"And then there's sales. I am constantly nurturing relationships," Thompson said.

He uses his blog to educate potential clients and stimulate online conversations. "There isn't a lot of knowledge out there about printmaking. The more I can talk to people about the process and what I do, the more they understand the medium, and the perceived value of my art rises."

He finds that even galleries sometimes don't understand printmaking, making it difficult to break into that world. Selling art is much more personal than selling software, and is often a larger percentage of the client's disposable income when compared to what a corporate operating budget spends on IT products.

Thompson noted that his first sale was to his wife, when he wanted to take the leap to becoming a full-time artist. "Starting out, I had a long dry period with nothing, absolutely nothing happening," he said. "She was the one putting food on the table. That let me concentrate on printmaking and building my business."

### Paula Montgomery

Paula Montgomery creates jewelry from found, or repurposed items, and sells them through her company, On (Re)Purpose.

"I've been self-employed for over 20 years and have had two very successful businesses," she said. "The difference is that the other products were mass-produced, and now I'm creating one-of-a-kind art jewelry. I can't sell the way I used to. Stores just can't call me and order 20 of something. This way is much more gratifying.

It's also a lot more personal. "I hear the good, the bad and the ugly and sometimes that's a bit scary," she added.

Montgomery's jewelry is available at a high-end salon in Fort Collins and on Etsy, a global website that connects artists and artisans with buyers. But she's not seeing the results she hoped for yet.

"I wear my designs wherever I go and hand out lots of business cards," she said. "I find that people respond really well when they see the actual pieces on me or at the salon. I haven't figured out (Etsy's) formula yet. Photographs don't do justice to the uniqueness and coolness factor of my jewelry."

While she perfects the formula, Montgomery is working with a Web designer to build a dedicated site and is developing a marketing strategy that hinges primarily on social networking and public relations. She believes that social media, done right, offers cost effective, broad-reaching exposure that will ultimately translate into sales.

Getting her work in front of the right fashion magazine editors and stylists is a high priority on her to-do list. "I have to do all this work myself," she said. "The budget isn't there to hire someone to handle all these functions. My goal is to have a celebrity wear one of my necklaces. The big question is how do you get it to them?"

Montgomery knows how to manage businesses. She earned a degree in studio art from UCLA, and credentials that allowed her to teach both art and math in California. She and her late husband started an art rubber stamp company that they ran for 17 years. After they sold that business and moved to Fort Collins four years ago, she started a spinoff business selling rubber stamp kits, and now concentrates on her handmade jewelry.

"I learned how to use Quicken a long time ago," she said. "It's easy for me. And, I do have a degree in math, so numbers aren't intimidating. I've never written a business plan and I've never had to borrow money for any of my businesses.

With handmade pieces, Montgomery is finding pricing a little difficult. "I'm learning about how to cost the materials and how to get to the price of the final product," she said. "Some come together easily and sometimes they take longer to gel. The prices need to be fair and cover my time — I need to pay myself — and the components."

However, she is realistic about the challenges she faces. "These are fluff items," she said. "It's hard to start a business in a troubled economy. But I've done this before and it worked out just fine."

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## HOMEWARD, from 3

their incarceration. Of the chronically homeless interviewed in November, 87 percent had been in jail at some point in their lives.

Hach said local shelters do a good job of providing temporary housing for the chronically homeless, but a more permanent solution is needed that will save money for society.

“The cost of keeping the chronically homeless out on the streets — going in and out of emergency rooms and in and out of jail — is more expensive than putting people into the housing they need,” he said.

A study by the Corporation for Supportive Housing found that it cost \$15,275 on average to put someone in a supportive housing situation. By contrast, it cost \$60,068 to keep that same person in a city jail cell and more than \$430,000 in a hospital bed.

And there’s the indirect cost to business, Hach noted.

“Having a huge homeless population in the downtown is not good for the business community,” he said. “People say customers are staying away because of the homeless population.”

Hach said the November count indicated the city probably has around 180 chronically homeless people and around 1,500 “episodic homeless,” or those who wind up on the street because of a life-changing event.

### Economic impact

Hach said the recent economic downturn has been a major factor in the increasing number of episodic homeless. “I would say it’s had a real impact,” he said. “Poudre School District counted 850 students who are considered homeless, and that’s 100 more than the year before.”

Hach said the episodic homeless are less visible, with most sleeping in vehicles or “couch surfing” at the homes of friends and family.

One of the biggest needs when it comes to ending homelessness, Hach said, is for more affordable housing. He said waiting lists for publicly subsidized affordable housing is around one year for an individual and two to four years for a family.

Hach said he advocates a “housing first” model as the best way to stabilize a homeless person or family.

“If you just provide mental health or substance abuse counseling, they’re going to go right back to the same situation they were in before — survival mode,” he said. “The core issue is housing, because as long as they’re in survival mode we’re just spinning our wheels.”

Hach said some local developers and affordable housing groups, like CARE Housing, which recently broke ground on Provincetown Green in south Fort Collins that will ultimately provide 160 new affordable housing units, are doing what they can to ease the affordable housing need.

“But we have to look at this as an entire community,” he said. “I don’t think it’s fair for developers to bear that cost on their own shoulders.”

Homeward 2020 is gathering partners to help in its mission to end homelessness in Fort Collins within the next 10 years. Those partners include the Fort Collins Housing Authority, CARE Housing, Crossroads Safehouse, Neighbor to Neighbor, The Sister Murphy Center for Hope, Open Door Mission, Catholic Charities Northern,

## Who’s really homeless?

Homeward 2020’s Registry Week Nov. 15-19 set out to identify the chronically homeless in Fort Collins. Of the 229 individuals interviewed, 91 were considered vulnerable due to illness or other condition, and:

- 20 percent were veterans
- 26 percent were frequent hospital users
- 30 percent had been in the emergency room or hospital three times or more in the last year
- 54 percent had mental health issues
- 73 percent had substance abuse issues
- 46 percent had dual diagnosis for both substance abuse and mental health issues
- 87 percent had been in jail.

SOURCE: HOMEWARD 2020

the Homeless Prevention Initiative, the Larimer Center for Mental Health, Larimer County Workforce Center, Poudre Valley Health System, Fort Collins Habitat for Humanity, A Place for Peace, United Way of Larimer County, SAVA and Disabled Resource Services.

“The next step in the 10-year plan is to bring all these different agencies and organizations together so we can pull together and no one entity has to shoulder that on its own,” Hach said.

Hach said Homeward 2020’s primary role will be as a “convener” to bring the community together to tackle the problem. He acknowledged that the Fort Collins community has not been idle when it comes to addressing the homelessness issue.

“A lot of the groundwork is already being done,” he said. “There’s a lot of good things already in play.”

One of those is the Homeless Prevention Initiative, which provides funds to people experiencing financial difficulties to keep them from losing their homes. Sue Beck-Ferkiss, HPI executive director, said she is “thrilled” to have Homeward 2020 developing a 10-year plan.

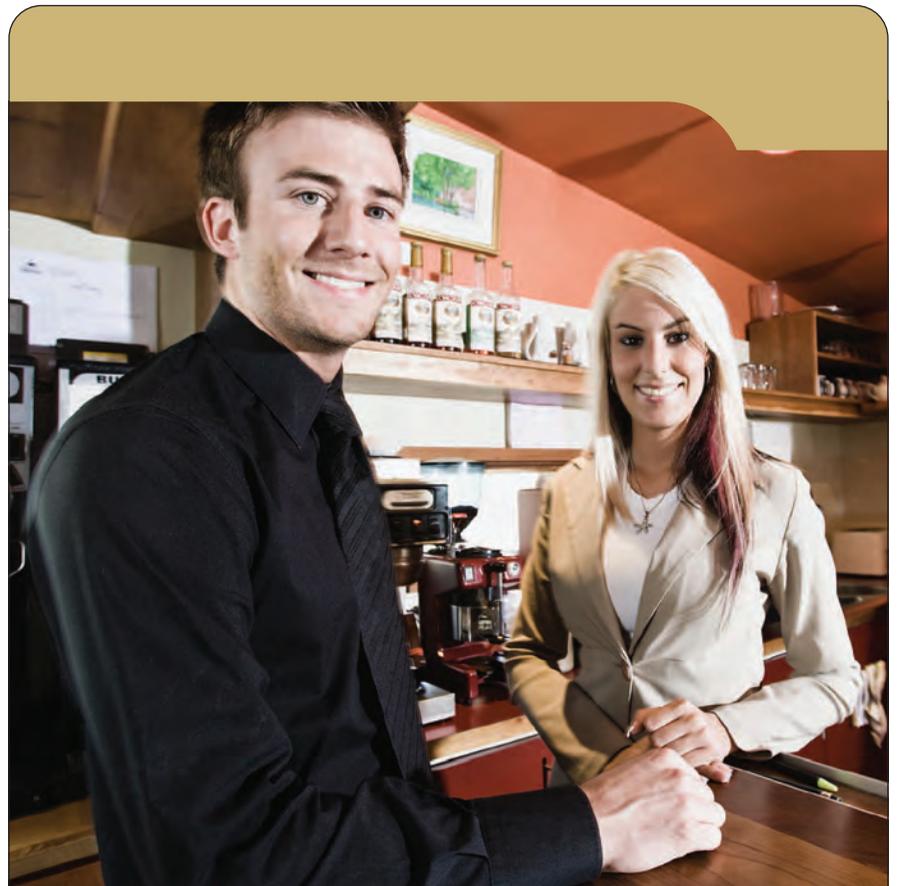
“It shows how our city is planning for this and taking on a problem together,” she said.

“Any effort can only improve things,” added Rev. Richard Thebo, founder of the Open Door Mission. “I think Bryce is a good man and totally sincere, and I’ll stand behind him 100 percent to help him.”

Hach said there will likely still be homeless people in Fort Collins in 2020, but the true goal of the initiative is to reduce those numbers in a growing community and to help shorten the time people remain homeless.

And that can happen in a city like Fort Collins, which Hach noted has already shown its determination to help the homeless.

“I think it’s a compassionate community and a collaborative community willing to look at this collaboratively,” he said. “Having that culture already in place is a wonderful asset for everything we’re trying to do.”



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**Dr. John Green**  
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Dr. Green served as columnist, economic database manager and economic growth advisor for the *Northern Colorado Business Report* since 1997. He is also an economic consultant for Federal, state and local governments, associations and federations as well as private companies.



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