



QUOTE OF THE WEEK

"We're investing in a marketplace that provides the right mechanisms to invest in renewable energy, energy efficiency and to embrace the future of the new economy."

Michele Weingarden, Greenprint Denver director, A16

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Quark: We're back, maybe better than ever

BY GREG AVERY
DENVER BUSINESS JOURNAL

Ray Schiavone describes the business he runs in terms familiar to people who watched Quark Inc. 20 years ago.

Quark was in its heyday then, a desktop publishing pioneer and one of Denver's best-known companies.

Schiavone, president and CEO of Quark, came to the company at the end of 2006. His task was to rejuvenate the company, retain customers and make Quark known again as an innovator in the U.S. publishing market.

After two years on the job, Schiavone said the private and closely held company is doing just that.

"We are right in the middle of changing the publishing world," he said.

If true, that puts Quark in the same position it held in the mid-1980s, when it was on the verge of achieving the enormous popularity that it famously squandered 15 years later.

Quark, started by Denver entrepreneur Tim Gill, helped revolutionize page layout for newspapers and magazines, replacing manual paste-up and complex page-building computer systems with cheaper desktop publishing tools.

The company's flagship layout and design product, Quark XPress, cornered by

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KATHLEEN LAVINE | BUSINESS JOURNAL

Ray Schiavone, president and CEO of Quark Inc. in Denver, says the company is "right in the middle of changing the publishing world."



KATHLEEN LAVINE | BUSINESS JOURNAL

Sara Bencomo, co-owner of Happy Cakes Bakeshop in Highlands Square, offers up a red velvet cupcake. Bencomo says that in tough economic times, people enjoy "small-priced luxuries."

Sides drawn over Amendment 54

BY BOB MOOK
DENVER BUSINESS JOURNAL

Jim Shmerling, CEO of The Children's Hospital, fears that a ballot initiative that voters approved in November will weaken all nonprofit hospitals in Colorado by forcing board members to choose between their political and philanthropic interests.

That's why Children's joined business and nonprofit leaders, the University of Denver, local philanthropist Dan Ritchie and homebuilder Pat Hamill in a lawsuit to stop Amendment 54, known as the "clean government" initiative.

Amendment 54 bans organizations that enter into noncompetitive (or "no-bid") contracts with state and local government agencies from making campaign contributions.

The lawsuit filed Jan. 28 in Denver District Court complains Amendment 54 unfairly restricts campaign and political contributions.

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Proponents said the ballot issue, which passed with 51 percent of the vote, is intended to eliminate conflicts of interest that could create a quid pro quo understanding between contractors and elected officials who may be in the position of returning political favors through government contracts.

Tom Lucero, a University of Colorado regent who already has declared himself

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Sweet success

Cupcakes a tasty way to roll in the dough

BY RENEE MCGAW
DENVER BUSINESS JOURNAL

On the list of things you need, a cupcake has to rank near the bottom.

Yet cupcakes are selling quite briskly, according to a co-owner of Happy Cakes Bakeshop, a 1-year-old cupcake bakery in northwest Denver's Highlands Square. Business is significantly higher than last year, she said.

"I think it's the lipstick theory," co-owner Laura Reynolds said. "Small-priced luxuries still make people feel good. You can make cupcakes at home for less than you'd buy them here, but this is a way to make you feel like you're giving yourself a luxury, but it's still affordable."

Meanwhile, at Bonnie Brae Ice Cream in the Washington Park area, the line still stretches out the door on warm afternoons, despite the economic downturn.

"We wouldn't go so far as to say it's re-



EDITOR'S NOTE: The Denver Business Journal and CBS4 have joined forces to report how companies and consumers are surviving and even thriving in the economic crisis. See the CBS4 story on page A35.

cession-proof, but our business is up compared with last year," said co-owner Bob Paillet. "People tell us, 'Even if we can't afford to eat, we love to have dinner at home and then come over to your place for a special treat.' For a family of four to come

to our place, let's just say that for under \$12 they're getting a nice treat for four people."

Sweets are often considered recession-

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denverbusinessjournal.com

For Oskar Blues, getting canned was a good thing

BY PAUL DAY
CBS4

As some drown their sorrows in suds during these economic hard times, a Boulder County microbrewery is toasting its business success.

The company's secret? Doing what it was advised not to do.



EDITOR'S NOTE: CBS4 airs its "Beating the Recession" stories every night at 10.

"People said it was sacrilegious to put a really good, premium beer in a can," said Marty Jones, the idea man for Oskar Blues Brewery.

But six years ago, Oskar started hand-canning its beer. The company has experienced major growth every year since.

"It was more a joke, probably more hare-brained than anything else, but the consumer bought on," said Dale Katechis, the brewery's founder. His first name is on the can of the company's most popular brand, Dale's Pale Ale.

Oskar Blues started in the late 1990s with a pub in Lyons at 303 Main St. Last April, the company opened a much larger brewery at 1800 Pike Road in Longmont, featuring an automated canning operation.

The bigger facility increased beer production 25-fold, to 19,500 barrels in 2008. A barrel of beer is equivalent to 31 gallons.

Last year, Oskar Blues experienced a 64 percent increase in sales despite the tanking economy.

"When times get tough, a really good beer provides a great escape," said Jones, formerly a writer for Denver's Westword newspaper.

Soon, Oskar Blues plans to open another pub, this one in Longmont.

All this has been accomplished at a time when the ingredients of beer have grown more expensive. The price of a six-pack of Dale's increased by a dollar recently.

Even so, demand for the hoppy, assertive pale ale remains strong.

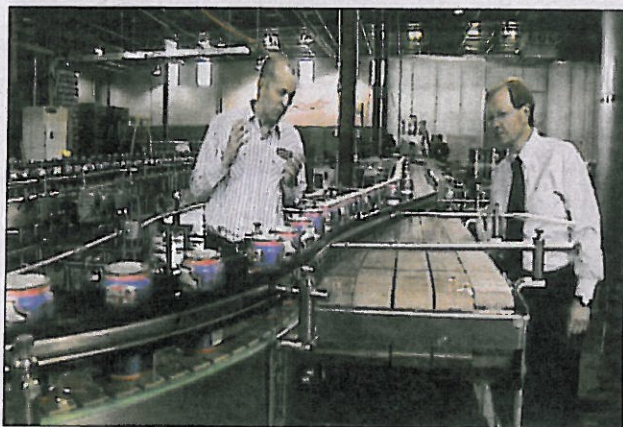
"It just has a really good body, it's very nice," said one beer drinker during the noon hour at the company's pub in Lyons. His drinking buddy said, "The quality just brings you back."

But it's putting the beer in a can that's made this microbrewery different from all the rest. The prevailing wisdom has been that glass is the best and proper way to sell craft beers.

"It's a myth," Jones said. He explains that the modern aluminum can and lid are coated with a water-based coating. That prevents beer and metal from ever coming in contact with each other. "It's a good thing for beer," he said.

Additionally, cans are the best way to protect beer from light and oxygen, according to Jones. Aluminum is also more convenient and, some argue, better for the environment. The lightweight nature of the container, compared to glass, allows Oskar Blues to claim a 35 percent reduction in the carbon footprint during beer deliveries.

Becoming one of the country's fastest-growing craft brewers has meant more jobs for the local community. The company added a dozen workers to its payroll



Marty Jones, "idea man" at Oskar Blues, explains the canning process to CBS4 News Reporter Paul Day.

this past year.

Between the pub and brewery, Oskar now employs 100 people. One of the newest arrivals is Jeff Nickel. He gave up a comfortable position at Coors to become Oskar's new production manager.

"I left a job at Coors in this recession because I saw growth potential," he said. He likes the opportunity to be closer to the craft of making beer instead of the distraction of administrative work.

"What it really came down to was the chance to take a chance," he said.

Besides Dale's Pale Ale, the company

also makes Old Chub Scottish Ale, Gordon and Ten Fidy Imperial Stout.

Publicity material distributed by Oskar Blues is laced with humor over the company's shift to cans. Writes Jones: "Can is no longer a dirty word for craft beer lovers thanks to us. Conventional wisdom, that's our thing."

The competition is taking notice. Following Oskar Blues' lead, more than 30 other microbrewers have started canning their beer, according to Jones.

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CUPCAKES: Small treats ease troubled times

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proof. Last year, the Nielsen Co. listed candy among five items most immune to a recession — along with beer, seafood, dry pasta and pasta sauce.

Mintel, a market research company in Chicago, forecast strong and steady sales for chocolate, cigarettes and alcohol, even as the economy slowed.

"In spite of — or maybe because of — tough economic times, many Americans are clinging to their smallest, most indulgent pleasures," Mintel researchers wrote.

Not everybody is seeing a boost. Durango-based Rocky Mountain Chocolate Factory Inc. (NASDAQ: RMCF) reported a 15 percent drop in revenue and a 33.5 percent decline in earnings in its latest quarter, which ended Nov. 30. But the company attributed the decrease to lower traffic in shopping malls, where most of its retail outlets are located.

For Happy Cakes, an independent bakery at 32nd Avenue and Newton Street, business has been surprisingly good.

"We didn't really figure in the recession in our business plan," Reynolds said. "But even as things started to deteriorate ... we haven't seen any diminished revenue at all. I think we probably could have seen more Christmas business, that kind of thing, than we did. But we haven't been hurting at all. It has been a wonderful surprise."

The bakery typically sells 1,300 to 1,500 cupcakes a week, Reynolds said. Prices range from \$2.50 to \$3, with mini cupcakes (\$1.50) and jumbo cupcakes (\$4.50) available for special orders.

In response to the economic slowdown,



KATHLEEN LAVINE | BUSINESS JOURNAL

Happy Cakes Bakeshop in northwest Denver's Highlands Square sells 1,300 to 1,500 cupcakes a week.

Reynolds and co-owners Lisa Herman and Sara Bencomo laid off one employee last summer, meaning they're spending more time in the kitchen and behind the register.

They also stepped up their marketing efforts. In the past year, they've garnered coverage in The Denver Post, Rocky Mountain News, local TV stations, 5280 magazine and Sunset Magazine. Lifestyle guru Martha Stewart featured the bakery during cupcake week on "The Martha Stewart Show" last year.

In mid-February, Happy Cakes launched a search for a "chief flavor officer." Contestants are asked to submit unusual cupcake flavor suggestions by April 15; the winner gets a \$365 "stimulus dividend"

and 10 free cupcakes a month for the rest of 2009. The promotion, featured in a segment on KWGN (Channel 2), probably accounted for stronger-than-usual business in the week after Valentine's Day, normally an exceptionally slow week for the bakery, Reynolds said.

"We haven't really lowered our marketing budget. In fact, we've increased it a bit," Reynolds said. "I think historically [marketing] has been a place where people cut their costs right off the bat when things get tight. But I think people still do want to go out and treat themselves, but if they don't know where to find you, you're not going to get those people."

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Frontier reports \$2.8M operating profit in January

Frontier Airlines reported an operating profit of \$2.8 million in January and a consolidated net loss of \$29.7 million.

The Denver-based airline's president/CEO, Sean Menke, said in a statement that the results show "we are charging in the right direction."

He said the airline is performing "exceptionally well in a seasonally slow month with the backdrop of a weakening economy," and said Frontier is now "focused on securing the necessary financing to facilitate our emergence from bankruptcy later this year."

Frontier, the second-largest carrier at Denver International Airport, is under Chapter 11 protection.

In its monthly operating report filed Feb. 26, the airline cited reorganization expenses of \$28.3 million.

It said that, excluding reorganization items and fuel-hedge deals, it would have posted an operating loss for January of \$400,000 and a consolidated net loss of \$2.8 million.

On Jan. 28, Frontier reported a fourth-quarter 2008 consolidated operating profit of \$5.6 million and a net profit of \$1.1 million, which it said was its first profitable end-of-the-year quarter in five years.

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