



## QUOTE OF THE WEEK

"When I'm on my deathbed and look back at my legacy, the last thing I want to be known as is a guy that worked all the time."

**Chris Phillips, investment banker, A14**

## Next move in hospitals' transfer?

**BY BOB MOOK**

DENVER BUSINESS JOURNAL

What happens when a \$311 million asset turns out not to be an asset at all?

That's the question facing the Community First Foundation (CFF) as it negotiates a deal to transfer full control of three local hospitals to a current co-sponsor, the Sisters of Charity of Leavenworth Health System, based in Lenexa, Kan.

The hospitals, which are managed by Exempla Healthcare, include Denver's Saint Joseph Hospital, Lutheran Medical Center in Wheat Ridge and Good Samaritan Medical Center in Lafayette.

A Denver arbitrator's decision to block a proposed financial transaction between the two nonprofits leaves few options open to enable the transfer — short of the foundation simply giving up its sponsorship in Exempla hospitals.

"The foundation is in a difficult position," said Jeff Selberg, president and CEO of Exempla. "If they handed over their sponsorship, people in the community would say the Sisters got the hospitals for free. How could you make this kind of exchange for nothing? They



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**Saint Joseph Hospital is one of three health care facilities in question.**

really are in a Catch-22."

Last month, Denver arbitrator William Meyer ruled that the Sisters could take control of the hospitals, but blocked a proposed \$311 million sale, saying the "assets" of the hospital belonged to the community — not the foundation. The arbitration stemmed from the Exempla board's lawsuit to block the sale on the grounds the transfer would have di-

verted funds away from their intended medical purpose.

If the sale had been approved, CFF — which currently holds \$44 million in assets — would have emerged as one of Colorado's larger community foundations.

Instead, the decision dashed CFF's long-term funding aspirations — putting it in the same position as other nonprofits during the recession.

CFF, which once employed 25 people, has cut its staff to 15 via attrition, and instituted hiring freezes. The foundation was founded in 1975 as the fundraising arm of Lutheran Medical Center.

Jean Galloway, a spokeswoman for CFF, said the foundation is making the best of the situation.

"Clearly, the foundation was surprised [the arbitrator] came down with the decision he did," said Galloway, president and CEO of Galloway Group, a community relations firm that represents nonprofits.

But Galloway dismissed any speculation that CFF would walk away from the

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## M&A slow, but may be ready to bust out

**BY RENEE MCGAW**

DENVER BUSINESS JOURNAL

Colorado merger-and-acquisition activity remained slow in the second quarter, although M&A specialists say buyers are eager to find good deals, and interest from potential sellers is increasing.

The problem is getting sellers to close. **WHAT WERE** the quarter's top deals? See the chart on **A28**.

"I'm seeing a very unusual situation, one that I can't recall ever happening before," said Ned Minor, president of Minor & Brown in Denver and an attorney who specializes in M&A transactions. "Contrary to what you read and hear, there is money available for Main Street acquisitions ... Good companies will sell for very good prices, even in tough economic times."

"But I'm mystified because when I explain all of this to business owners ... I

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**Michael Wasik is CEO and chairman of Roomlinx, which has developed a system that accesses the Internet, on-demand movies and computer programs from hotel-room TVs.**

## Who's in your hotel room? Tech-savvy Roomlinx

**BY ED SEALOVER**

DENVER BUSINESS JOURNAL

With a few taps on a keyboard, a Broomfield company is taking hotel occupants to new places — and looking to corner the market on in-room interactive technology.

Roomlinx — an 11-year-old company that burst onto the scene building and designing wireless networks for the hospitality industry — has developed a system that can access the Internet, on-demand movies and computer programs from hotel-room TVs. The system also includes a business center and virtual concierge program, and creates revenue opportunities for the hotel.

The company's biggest break may have come June 23 when IBM announced Roomlinx as the in-room entertainment provider for its "Hotel-in-a-Box" package, designed as a startup technology kit for new hotels. Roomlinx' stock value shot up 46 percent after the announcement, CEO and Chairman Michael Wasik said.

Roomlinx did the first installation of its new system in September at a Chicago-area Crowne Plaza. Now, its product is in 10 locations nationally, with another seven hotels waiting, and the company is piloting the technology for four hotel corporations.

Wasik is so confident in Roomlinx's continued growth that he's moving its call center, now set up in Thailand through a contractor, back to Broomfield and creating about 20 jobs.

"The momentum's kicking and it's starting to roll," Wasik said. "By the end of August, we'll have a backlog that will keep me busy for 18 months."

That's not bad for a company that nearly collapsed as soon as it was formed.

Wasik merged his Suite Speed wireless-network design business with Roomlinx in 2005 on the premise that \$3 million in

funding was waiting to grow the new company. When that funding fell through, he parlayed his investment into common stock, took over as CEO, eliminated about \$1 million in short-term debt in 10 months, then received funding to eliminate \$2 million in long-term debt.

With company financing stabilized, Wasik began work in 2006 on this new

project, aiming to take advantage of the changing habits of hotel customers who now prefer to bring their own media with them rather than pay for movies.

The system operates through a wireless computer keyboard, allowing users to move easily between Internet, television, computer, music and concierge features.

The concierge option includes access to the hotel website and to area restaurants, attractions and services that pay to be listed. An interface with the property-management system lets guests access their bill or check out from their room.

The on-demand movies, other than the

### DETAILS

**Roomlinx**  
**Stock symbol:**

OTC: RMLX

**Employees:** 25

**Headquarters:**

2150 W. Sixth Ave., Suite H, Broomfield, Colo. 80020

**Phone number:** 303-544-1111

**Website:** www.roomlinx.com

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## Tabor Center making changes as ESPN Zone leaves

BY ED SEALOVER

DENVER BUSINESS JOURNAL

ESPN Zone's departure from the Tabor Center complex is being viewed as a first step to remaking the high-profile center rather than as a loss of one of the 16th Street Mall's commercial anchors.

The move allows property owners to open up unused space below the sports bar, and coincides with efforts to replace the third-floor food court with an athletic club.

These new amenities are so important, they may have prevented one of the building's larger tenants from leaving for a more appealing site, said Bill Tresham, chief operating officer of Chicago-based property owner Callahan Capital Partners.

"Once ESPN made the decision to leave, we started to expand our thinking to accommodate different uses," Tresham said. "What we're doing is making it a more exciting place to be."

The 30-floor, 583,000-square-foot One Tabor Center office building, completed in 1985, houses some of the largest and most notable law firms and businesses in Denver. It sits adjacent to 136,000 square feet of retail space, and the complex's retail options have included specialty stores and a food court full of fast-food restaurants that Tresham called "under-utilized."

In an effort to remake the complex, Callahan cleared out the food court and brought in Colorado

Athletic Club, which will occupy 45,000 square feet on two floors, including balcony space on the 16th Street Mall. On July 7, the club will occupy 12,000 square feet of open space adjacent to its future area, and it will move into its long-term location sometime in December, said Tom Todd, general manager of the Colorado Athletic Club Tabor Center.

The club is working with businesses in the center, seeking discounts to offer its members in order to help drive traffic throughout the complex, Todd said.

And even before ESPN Zone announced its departure, the Tabor Center had signed a lease with The Tilted Kilt, a chain of Celtic-themed sports bars, to occupy street-level space that had gone unused under the sports bar. Tables will be set up on the patio and marketing efforts will be made to attract both the downtown lunch crowd and visitors who want a drink or dinner before hitting Coors Field a few blocks away, said Mark Voss, owner of the local franchise.

Combined with the recently opened Ling & Louie's Asian Bar and Grill, and successful staples such as the Cheesecake Factory and The Palm Restaurant, the new occupants should make the complex a central dining location in downtown, Tre-

sham said. What's more, they will bring a life back to the building that some of the office tenants had complained was missing, he said.

Rothgerber, Johnson and Lyons LLP, whose 140 attorneys occupy 56,000 square foot of space on the center's top three floors, had considered relocating when their lease recently ended, Tresham said. Officials changed their mind after hearing about the Colorado Athletic

Club, he said.

"We've done countless surveys over the years with people, and office tenants want amenities," Tresham said. "If they don't want them in their building, they want them close."

The efforts to attract more customers are important because the Tabor Center is one of the top retail destinations on the mall, said Jim Kirchheimer, economic development director for the Downtown Denver Partnership. By creating more of a defined vision of what it wants itself to be, the Tabor Center will help push foot and bus traffic down the mall and benefit all stores along the way, he said.

Tresham said he seeks possibly two more food concepts to round out the retail space.



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## ROOMLINX: Guests like tech options

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adult films, are free, and can be paused and fast-forwarded like a personal DVD collection, allowing guests to view them on a big screen rather than a laptop. If it's songs they want, the system comes equipped with Internet programs that access requested types of music or radio stations from around the world.

In addition, there are business tools that allow guests not just to pull up email but also to create documents, and to save and print them. Roomlinx created a media console with a USB port and three-in-one card reader to let guests save created documents or download digital photos to show family slide shows.

Local and national businesses can buy ads on the system. Roomlinx splits the revenue 50-50 with the hotels, Wasik noted.

Terry Alexander, general manager of the Sleep Inn and Suites in Minot, N.D., installed the system into half his rooms. He found that frequent customers would re-book those particular rooms again when checking out, and that new customers would call and request the suites with Roomlinx because they'd heard so much about it.

"We're doing something our competitors are not," Alexander said. "We're trying to stay ahead of the competition. This Roomlinx system's helping us."

Wasik expects other companies will try to produce similar systems, but he believes Roomlinx has a jump on them.

"Every time we've had to overcome an obstacle, that's a barrier to entrance for my competitors," he said. "We'll continue to monitor the habits of the consumer, and we'll develop a platform as those habits change."

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## M&A: Investors wary of changes in federal regulations

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can't make them come to a decision. They're just absolutely paralyzed."

Part of the problem, Minor believes, is that sellers are hoping if they wait another six months, the economy will improve and they'll get a higher price.

Buyers are skittish, too, according to Hendrik Jordaen, a partner at Holme Roberts & Owen LLP in Denver. Most are putting far more of their own equity into deals than they were a year ago, and aren't certain how regulation will change under the Obama administration and Democrat-controlled Congress.

"One of the reasons that we continue to see things being slow to move today is that investors are concerned that the regulatory landscape hasn't settled," Jordaen said. "Nobody knows what's going to happen with health care, or what kind of regulation is going to ripple through the financial industry."

"When you're talking to investors, they're saying 'look, until we have certainty and clarity on what the rules of the game are going to be, so we can really start modeling our returns, we're hesitant to deploy capital.' I think you're going to start seeing capital move ... in the second half of 2010."

A total of 38 deals closed in Colorado in the April-through-June quarter, down from 61 closings in the second quarter of last year, according to data obtained from FactSet Mergerstat LLC, a Santa Monica, Calif.-based provider of M&A information. Many Colorado deals probably are missed by FactSet's researchers, who tend to concentrate on high-priced transactions or those involving large companies.

Altogether, the deals tracked by FactSet were worth at least \$408 million. But purchase price was reported for only five transactions, or 13 percent of total deals. A year ago, price was revealed for roughly one-third of the quarter's transactions.

Average deal size, based on five deals, was roughly \$82 million. That compares with \$117 million a year ago.

"We're seeing a pickup in activity, albeit slight, as measured by transaction inquiries and potential pitches on deals," said Michael Franson, president of St. Charles Capital, a Denver-based investment banking firm. "We're quite busy, but getting deals done is difficult. The deal mortality rate, on the technology side, is higher than it has been since the last slump we had, since the tech bubble burst."

The pending sunset of Bush administration tax cuts at the end of 2010 likely will begin to influence sellers soon, Franson and others said. Most people expect the federal capital gains tax to increase from its current maximum rate of 28 percent, reducing sellers' after-tax profit compared with what they would keep now.

"If you have a capital gains increase, the implied multiple that you have to get is much higher than it is today," Franson said. "So it's going to drive sellers into the marketplace. We believe that 2010 is going to be a very active year for the M&A markets."

Based on Colorado deals for which a price is known, the largest second-quarter deal by far was Fort Collins-based Woodward Governor Co.'s (NASDAQ: WGOV) \$356 million acquisition in April of HR Textron Inc., a Santa Clarita, Calif.-based maker of motion control systems for aircraft, helicopters, spacecraft and

### COLORADO M&A: Top five deals from the second quarter.

Buyer	Seller	Date closed	Buyer location	Deal size
Woodward Governor Co.	Textron Inc.	4/03/09	Fort Collins	\$365M
BakBone Software Inc.	ColdSpark Inc.	5/14/09	San Diego, Calif.	\$15.9M
FLIR Systems Inc.	Salvador Imaging Inc.	6/11/09	Wilsonville, Ore.	\$13M
Inhibiton Therapeutics Inc.	HPI Partners LLC	5/06/09	Centennial	\$12M
China Broadband Inc.	AdNet Media Technologies Co. Ltd.	4/07/09	Boulder	\$2.59M

(Data based only on closed deals for which a price was announced.)

Source: FactSet Mergerstat LLC

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other vehicles.

Meanwhile, San Diego-based BakBone Software Inc. (OTCBB: BKBO) bought ColdSpark Inc. of Broomfield in May for nearly \$16 million. ColdSpark makes platforms for business email processing and delivery.

FLIR Systems Inc. (NASDAQ: FLIR) of Oregon bought Salvador Imaging Inc., a Colorado Springs-based maker of high-performance digital cameras, for \$13 million in June.

Other transactions lacked a known purchase price, but were interesting nonetheless. For instance, Wayne Lumpkin — founder of Avid, a brake maker that was sold to Chicago-based SRAM in 2004 — acquired a majority stake in Spot Brand, a Golden-based bicycle maker, in June.

GlobeImmune, based in Louisville, forged a deal in May with Summit, N.J.-based Celgene Corp. (NASDAQ: CELG) that grants Celgene an exclusive option to

all of its oncology product candidates, in return for a \$40 million upfront payment. Although the deal was not, strictly speaking, a merger or acquisition, it turned up on FactSet's database.

Denver-based First Western Financial Inc., parent of First Western Trust Bank, acquired a Los Angeles investment advisory business, GKM Advisers LLC, in April. It was First Western's third Los Angeles acquisition in less than 12 months.

A large deal that doesn't appear on FactSet's data is Denver-based Honnen Equipment Co.'s acquisition of four John Deere Construction and Forestry dealerships from Scott Machinery Co. in May. Purchase price wasn't revealed, but Honnen Equipment Co. President Mark Honnen has characterized it as a "nine-digit" number, or somewhere in the hundreds of millions of dollars.

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