

April 1992

# Nevada BUSINESS JOURNAL

*Nevada's Only Statewide Business Magazine*

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For this dynamic young entrepreneur, even the sky has no limits

## **BANKING & FINANCE**

Valley Bank - In the Company of Giants

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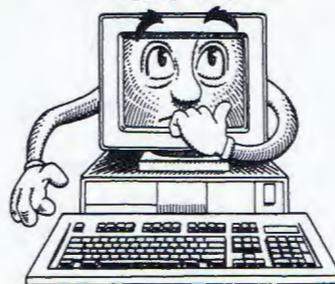
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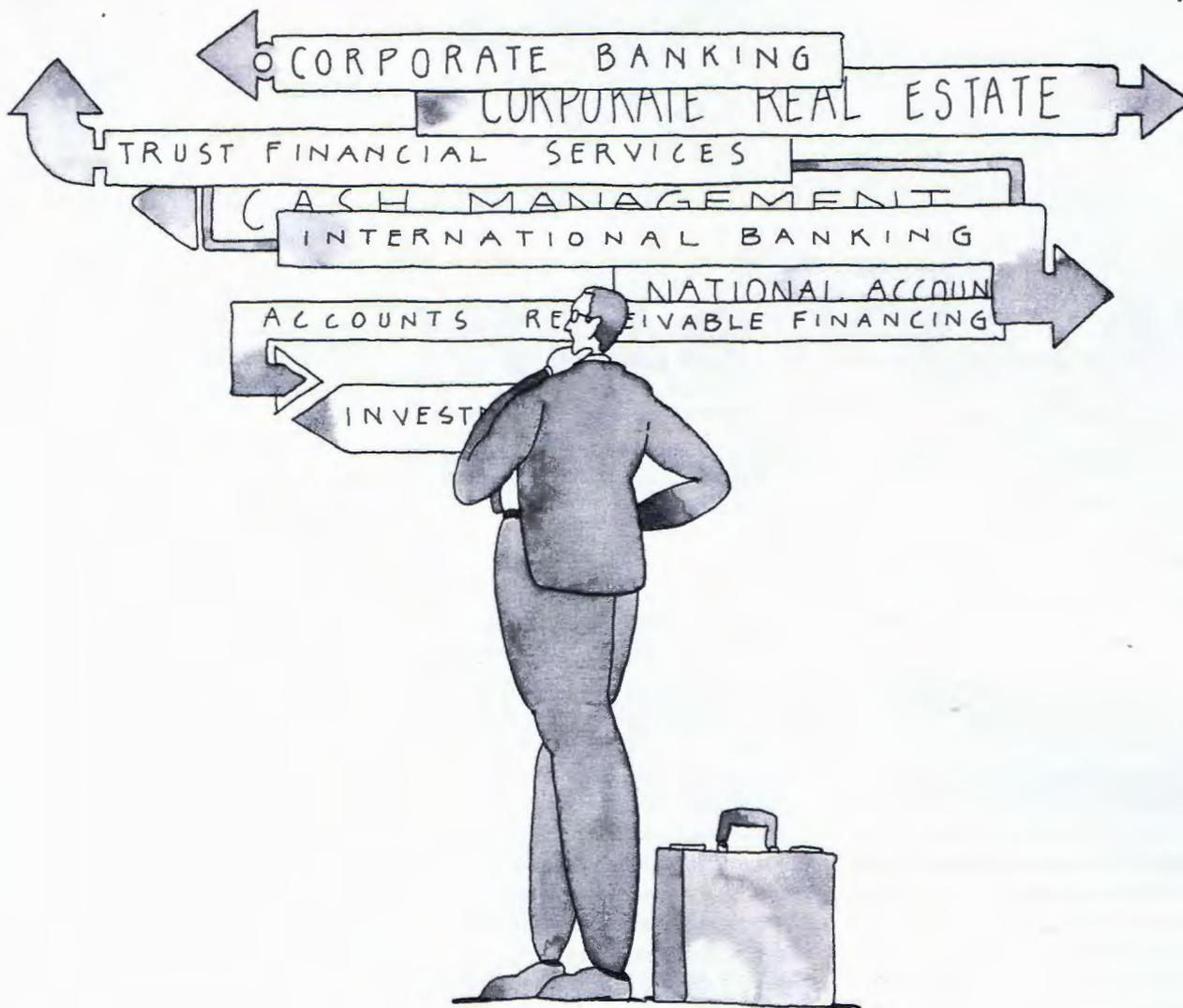
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# VALLEY BANK

## IN THE COMPANY OF GIANTS

BY DAVID HOFSTEDE

*Change is generally considered healthy, revitalizing, a sign of a new era. But when changes occur in financial institutions – the places in charge of your money – reactions are sometimes less than enthusiastic.*

ESPECIALLY since one of the principal conversions in the last few years has been that of savings and loans changing from solvency to insolvency.

It took more than a scorecard to keep track of the activity in the banking industry over the past two years, with properties being bought and sold at the rate of red plastic hotels in a Monopoly tournament; there were 41 bank mergers in the first half of 1991 alone, and the pace hasn't let up yet. It's gotten to the point where one bank, Great Western, is promoting its services with the simple promise (delivered with homespun sincerity by Dennis Weaver) that they won't be going anywhere in the future.

Such a claim would infer that change is not desirable, but don't tell that to Richard Etter, president of Valley Capital Corporation. Valley Bank of Nevada is currently in the closing stages of being acquired by BankAmerica Corporation, and Etter couldn't be happier. In fact, he believes the nationwide movement toward

consolidation is the best thing to happen to banking since automatic tellers.

"Compare banking to other industries, where these things have happened for years," Etter said. Because of the antiquated banking laws we ended up having 14,000 banks in the United States – too many. Too many chairmans of the board, too many presidents. We became an inefficient industry, which resulted in costs being too high for the consumer. As a result [of consolidation], the industry will be more efficient and offer more sophisticated products."

New legislation allowing mergers across state lines has much to do with the consolidation wave, though for many institutions it was the only path to survival. The motivation behind Valley Bank's acquisition, however, was an offer they just couldn't refuse.

"In our case, we never pictured ourselves as being for sale," said Etter. "We had a very dynamic young management team, gaining market share at a pretty

healthy rate every year and doing a good job serving Nevada. Selling was not a part of our strategic plan. However, BankAmerica wanted to become a dominant player in the western states and saw our position in Nevada as something they would like to be associated with."

BankAmerica Corporation first entered the Nevada market in December of 1989 when it completed its purchase of Nevada First Development Corporation, the parent company of Nevada First Bank. At the time, Nevada First was the state's fifth largest bank, with 14 branches and \$203 million in assets. It resumed operations under the name Bank of America Nevada, as would all subsequent acquisitions.

In December of 1990, BankAmerica acquired the retail branch system and certain assets and liabilities of Frontier Savings Association. Bank of America Nevada gained four more branches and approximately \$250 million in deposits. Last year, BankAmerica began talking to both Valley Bank and Security Pacific Corporation. In August of 1991, an agreement to merge was announced, creating a banking institution with \$190 billion in assets, a commanding position in the western U.S. and extensive international operations.

Under the agreement, BankAmerica will acquire all outstanding shares of Valley Capital Corporation, pending approval of the Securities and Exchange Commission, the Federal Reserve, the Justice Department, the State of Nevada Banking Commission and Valley shareholders. Valley Bank, the second largest banking firm in Nevada, had assets totaling \$3.1 billion, deposits of \$2.9 billion and 68 branches as of December, 1991. Valley-owned Caliber Bank had \$233 million in assets and nine branches in Arizona.

In a press release, BankAmerica Chairman and Chief Executive Officer Richard Rosenberg said "We're delighted that Valley Capital Corporation and its customers will be joining the BankAmerica family. Valley Capital has established an excellent presence, reputation and record for profitability in the Nevada marketplace. Its major business lines are ones we know well and, we believe, will benefit from BankAmerica's increasingly strong position in the western United States, its global network and its financial strength."

Founded in 1904, BankAmerica is the second largest bank holding company in the nation, and a major international bank with operations in 36 countries. Its net earnings were in excess of \$1 billion in each of the past two years. On February 6 of this year, 97 percent of Valley Capital Corp.'s shareholders voted in favor of the merger. "With this merger and the deal with Security Pacific, Bank of America is 75 times bigger than we are," said Richard Etter. "That's 75 times the career paths for our employees and 75 times the capital to lend to Nevada business. In the long term it will be very beneficial to the state."

But if Valley Bank sees this merger as a new opportunity, so does its competition. Dan Cheever is president and chief operating officer of Las Vegas-based PriMerit Bank, which has 32 branches in Nevada and Arizona. "Anytime you have a new financial institution coming in, you'll have new players, new philosophies and a new credit discipline, so we'll see some change in the type of lending and the amount of lending the new Bank of America makes vs. Security Pacific and Valley Bank," Cheever said.

"At PriMerit, we feel we can service a lot of the customers who may have some dissatisfaction [with the acquisition]. Anytime there's a merger, there is typically some problems with customer accounts, and people that customers are

used to dealing with may no longer be with the bank. We'd like to acquire a number of new depositor relationships."

PriMerit has avoided any merger activity, although they did acquire a financial institution in Arizona in 1988, which prompted their name change from Nevada Savings. "Since then we have not acquired anyone, or had any discussions concerning acquisitions. As a wholly-owned subsidiary of Southwest Gas Corporation, that insulates us to some degree," Cheever said.

After the BankAmerica merger, PriMerit will become the largest Nevada-based financial institution. "There's a certain loyalty that the people of Nevada have to businesses that are founded and based here," said Cheever. "We feel we can respond much quicker than other institutions that have their corporate headquarters out of state, and we hope to capitalize on that attribute."

"Those are just the kinds of rumors that our competitors would love to foster, but we're not going to let them get away with it," responds Richard Etter. "We'll prove it with our actions."

"Our goal from day one is for this merger to cause an improvement in customer service. BankAmerica paid a very rich price to our shareholders, so they aren't going to do anything that will impede that investment. They have asked us to do business in the same aggressive style that we've always had. It would be foolhardy for them to spend \$400 million and then change everything. They know we know how to do business in Nevada."

In fact, BankAmerica plans no changes in leadership of Valley Bank's operation. "We will stay a Nevada-chartered bank, and a member of the federal reserve regulated by the state. BankAmerica will be the shareholder of our company, but we won't be just a branch operation of California, or a franchise like McDonald's."

"Having said that, there will also be some changes," Etter continued. "They are going to introduce some synergy to help get their investment back, but we're going to go overboard to make those changes transparent to the customer."

One of those changes may involve layoffs. According to banking industry analysts, 13,000 workers will lose their jobs at duplicate operations in the Security Pacific merger. At Valley Bank, Etter admits "there might be some layoffs; to the extent that we gain some of the aforementioned synergy because of the combination of size. Hopefully they will be achieved by normal attrition." BankAmerica declined to comment on the possibility, or on any aspect of the merger.

However, a primary inducement behind the consolidation wave is to trim the fat. "There is a cost savings in back office operations and the melding of various departments, which can eliminate jobs, overhead and expenses," said Cheever.

And Cheever believes there are more changes to come. "The President has proposed numerous banking bills that would provide financial institutions with more opportunities. Additional deregulation could lead to more interstate mergers and acquisitions. Currently there are about 2,000 savings and loan institutions left, and that will continue to decline to probably 1,000 by the turn of the century. The number of banks should be cut in half in the next ten years."

And what will less banks mean for the consumer? "The institutions that emerge from this consolidation will be more financially stable and have stronger earning power," predicts Dan Cheever.

Richard Etter also sees the trend as positive. "There will be an incentive for banks to carve out a niche of their own, and offer innovative products and services. I think there's more opportunity in banking today than there ever was." ■

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# CONTINENTAL

N A T I O N A L • B A N K

BY DAVID HOFSTEDE

*Mega-mergers notwithstanding, at Continental National Bank, it's business as usual: serving the business community – a niche market in which the bank has become firmly established.*

Like PriMerit, Continental National Bank has not been involved in merger activity. "Our philosophy is to stay within our niche, which is the business community and professionals, and try to meet the needs of that market," said Continental President and Chief Operating Officer David Smith.

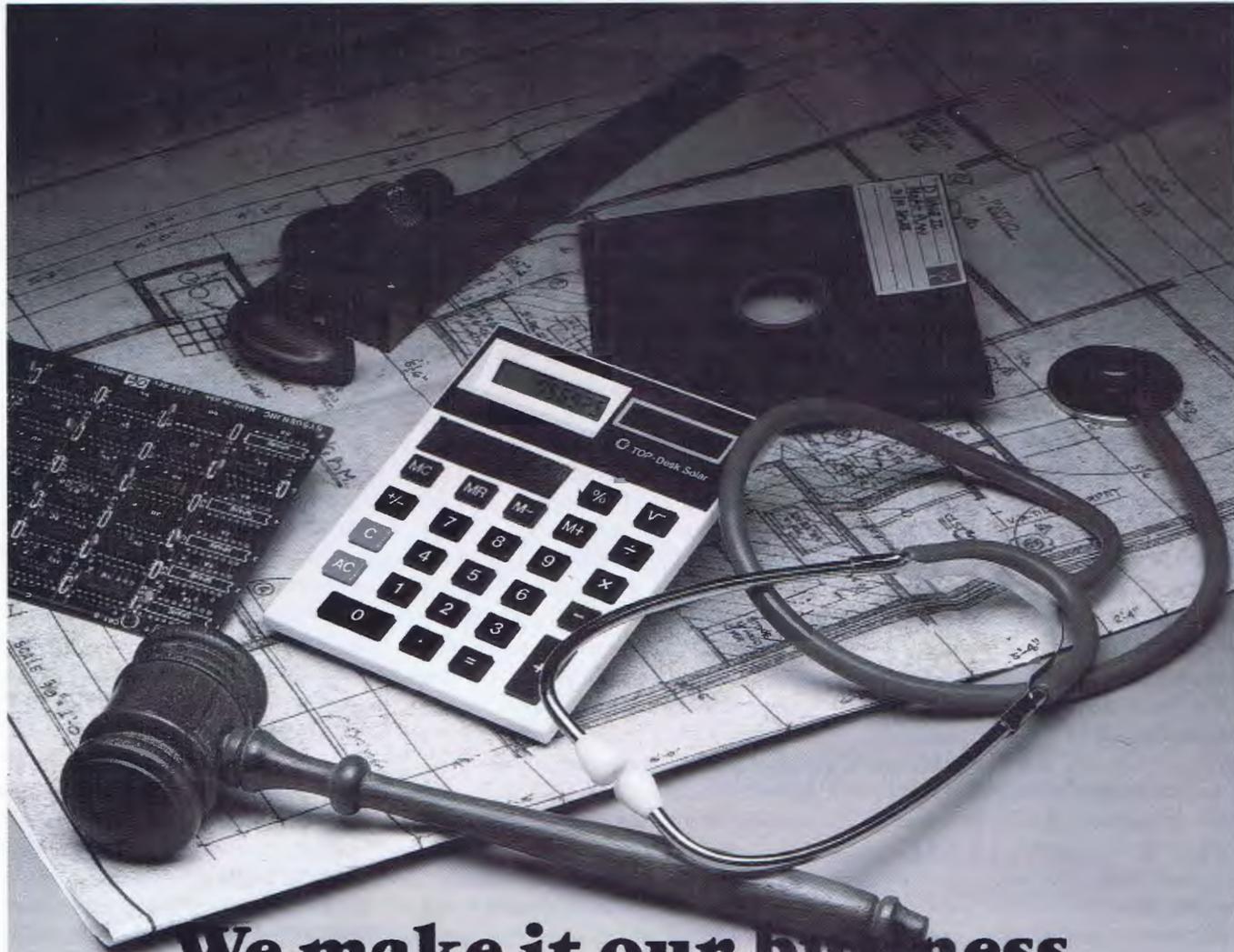
Smith looks upon BankAmerica's arrival as a win-win situation. "The consumer who needs the products of a larger bank will benefit. We're smaller [four branches in Southern Nevada], so we may be able to provide a level of service in the middle market area that they cannot."

Continental also believes its locally-owned status will appeal to some consumers, but that is only the beginning. "Banking is a service industry. We all offer the same product – it's how you deliver that product that separates us," Smith said. "We can't be all things to all people. We can't – and don't want – to be Bank-

America. Our mission is to deliver good service to the business community."

Smith believes that Las Vegas has already seen the bulk of its banking acquisition activity occur, but nationally there may be more changes to come. "Mergers will continue across the country, because there are still a lot of attractive markets out there, but in this state we're nearing the saturation point. How many banks can properly serve and survive here, and make the kind of money they need to provide for their shareholders' investment? We have four large banks and several independents now, so I don't see another major player coming here in the near future."

Continental, however, plans to continue to grow with its hometown. "We're very bullish on Southern Nevada, and hope to open one or two new branches in the next few years," said Smith. "Every year seems to be our best. We know we can't keep that up forever, but we can certainly try."



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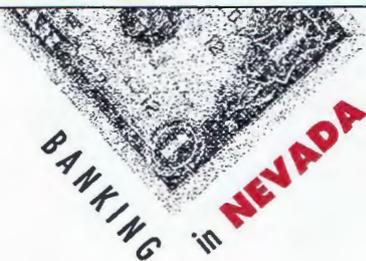
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# BIGGER is better or is it?

## A CASE FOR SMALLER BANKS

### PART I: NORTHERN NEVADA

BY DEBRA LYNN DEMING

**T**HROUGHOUT the 1980s, "bigger is better" was the prevailing philosophy. Here in Northern Nevada, however, with the recent banking mergers consolidating money power in the hands of a few, it is becoming evident that many Northern Nevadans are looking for something a little less large and a lot more homey — their local community bank.

The Comstock Bank and Sierra Bank are two of the relatively small locally owned and operated banks in Northern Nevada that appear to be benefitting from the recent mergers. Local residents and business owners are starting to think twice about what these mergers mean.

In Nevada, First Interstate Bank and Bank of America — who is now merging with Valley and Security Pacific — will create a two-bank empire controlling almost 90 percent of the banking assets in the state. Large banks have never had sterling reputations for servicing smaller

communities or local markets. As larger banks consolidate, the credit available to smaller communities tends to dry up.

There are several reasons for this: First, the larger banks centralize their deposits. Second, decisions concerning lending are generally made in the central location. Thus, banks controlled from outside are less likely to return the deposits taken from the state than are banks whose management consists of local business people. A committee in Los Angeles, consisting of Los Angeles bankers, is less likely to know and understand Nevada's mining- and gaming-based economy than business folks living in the state.

National legislation over the past 10 to 12 years has supported the big bank mergers and consolidations or the "bigger is better" attitude because, as Bob Barone, chairman of the board and CEO of Comstock Bank states, "Those appointed to powerful positions in Congress have all

come from a Wall Street rather than a Main Street-based background."

Despite the fact that the leveraged buyouts of the 1980s have led to financial crises in the '90s, and despite the fact that the largest banks and S&Ls are the ones that are troubled, proposed legislation from the Treasury continues to foster mergers and consolidations, and threatens to disrupt the remaining segment of the banking system that is healthy — the small, community banks. Without the loans of the community banks to small business in America, our economic structure is likely to change dramatically.

In today's banking environment where mergers are causing branch closures rather than new branch openings, the small community banks are thriving and expanding. While First Interstate Bank recently closed three branches in the Reno/Sparks area, the Comstock has a new branch under construction in the Caughlin Ranch area of Reno. "The little Comstock Bank is very healthy," according to Bob Barone. "In 1990 and 1991, our bank returned more than 25 percent on its capital and more than 1.8 percent on its assets. These ratios would have been excellent even in the best of banking times."

Sierra Bank, who just opened its doors a little over two years ago, has experienced growth in excess of \$30 million in assets. Sierra Bank was started by a group of local business people who were responding to a perceived need in the community. "We didn't like seeing the credit decisions moving out of Reno," says Dave Clark, chairman of the board of Sierra Bank and principal with Clark and Sullivan Constructors. "We've been elated with the bank's success," Clark continues.

"Today, people are beginning to realize



## IS BIGGER BETTER?

that all banks are not the same." According to Bob Barone, "The concept of 'community' banking has taken on an entirely new meaning. In community banks, like Comstock, senior management is only one level higher than the branch manager. If you have a problem, it can be quickly resolved."

For purposes of accessibility, Sierra Bank designed its bank to be virtually office-less. "There are no private offices by design," says Dave Clark. "We strive to get to know all of our clients. All of Sierra Bank's board of directors are locals. We all take an extremely active role in the bank. That is part of our feel in the community. We receive immediate feedback if a customer is having a problem."

Product pricing at these smaller, community banks appear to be as competitive as, or better than, pricing offered at the large banks. Of possibly more significance, however, is the use that the community bank makes of the community's deposits. For the most part, those funds are reinvested in our local economy thus creating local jobs, income and growth.

"In 1991, Comstock's assets of about \$40 million originated in excess of \$83 million of loans." According to Barone, "This means the Comstock Bank was directly responsible for economic activity in our local economy equal to more than twice its size. Normally, a bank can be expected to originate loans of about one-third to one-half of its asset size."

Because it sells the loans it makes to investors from out of state, the community bank actually imports and disseminates capital into the local economy. Compare this concept to the big bank which takes deposits out of the local economy and lends them in California, Texas, New England, or to the Third World.

At the community bank, decisions on

loans are made by senior managers who are local business people and know and understand the needs of the local economy. "You will never find loans to Third World countries, to Texas oil magnates, or to a shopping mall in New England on the books of a community bank in Northern Nevada," says Barone.

Both banks have found that the recent mergers have been increasing their business. "As a result of the mergers," says Clark, "we are seeing an ever-increasing number of established Reno businesses and families using our bank. Because of our concern for the financial well-being of the state, our success over the past two years has been very rewarding."

At times like these, people want stability especially when it comes to their money. When you walk into your community bank and the branch manager waves at you from across the room and says, "Hi, how are you today?" you get this feeling inside that tells you bigger is definitely not better.

## PART II: SOUTHERN NEVADA

BY LYNN WADDELL

**L**OCAL business banks say they aren't disappearing into the shadows of bigger Nevada banks which are merging. Quite the contrary, they are profiting from the corporate unions.

"We anticipate the Bank of America mergers will give us the opportunity to make more loans, said John Dedolph, president and chief operating officer of Sun State Bank. "We will fill a niche widened by the mergers of bigger banks.

Despite the trend toward bank mergers, the smaller local banks such as Sun State, American Bank of Commerce and Nevada State Bank aren't worried about their future. These banks have specialized in servicing small- to medium-sized businesses, which may not get attention from the larger banks, Dedolph said.

"This is going to help us out for the most part by diminishing the competition and service for most of our customers," Dedolph said.

Banks such as Sun State and American Bank of Commerce don't focus on the consumer services such as personal checking accounts and car loans. That would take too much away from the business niche they fill, Dedolph said.

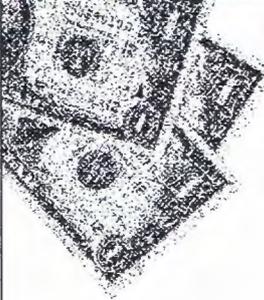
"We have limited resources," he said. "We spend where we can work most profitably. We don't chase consumers out, but we don't encourage them either."

Jim Bradham, president of American Bank of Commerce, said his bank has a similar philosophy. "We know we can't be all things to all people," Bradham said.

Because of that, American Bank of Commerce and Sun State don't try to cater to the consumer by extending business hours to weekends. Sun State's two offices are open 9 a.m. to 4 p.m. Monday through Friday. The bank isn't open on weekends and does not have drive-thru tellers, Dedolph said. "We work more in the manner of a brokerage firm," he said. "We deal with relatively small- and medium-sized businesses."

American Bank of Commerce has only four branches and is open to 4 p.m. except on Fridays when it stays open until 5 p.m.

On the other hand, Nevada State Bank has emerged into a customer service bank, as well as a business bank. It now has 11 branches within Smith's Food King groceries which are open seven days a week.



## IS BIGGER BETTER?

It also has six stand-alone branches and many other ATM locations. Sun State and American Bank of Commerce do not have ATM locations.

"We acquired 16,000 new customers when we entered Smith's, said Richard Carlson, president of Nevada State Bank.

All three banks have recently acquired new customers partly because big bank customers fear the upcoming mergers, executives said.

"I think it's the uncertainty of what's going to happen, especially with business people," Carlson said. "People are taking a long look at where they are banking and some are leaving banks they have done business with for five or 10 years."

Bradham said he is witnessing similar occurrences at his bank. "People don't like change that much. They react negatively," he said. "We are now getting the opportunity to talk to people who have been with other banks 20 to 25 years."

Smaller and medium-sized businesses fear they will fall between the cracks of bigger banks' target markets, Dedolph said. "The operations at the larger banks will become more like chain groceries," Dedolph said. "All their lending moves to centralized areas."

On the other hand, although, the three business banks have fewer locations than larger counterparts, they are able to approve loans at all main branches.

Loan portfolios for all three banks, however, are much smaller by comparison to Valley and First Interstate banks. The 10-year-old Sun State Bank carries about \$41 million in loans, while the American Bank of Commerce has a loan portfolio of about \$70 million, and Nevada State Bank has about \$176 million. Each bank offers loans up to \$1 million to \$1.5 million.

The low maximum loan amount keeps the banks from lending to the local gam-

ing industry because gaming properties usually need larger amounts. Most of the loans made by the three banks are general business loans.

For instance, Sun State only had outstanding about \$1 million in consumer loans last year, Dedolph said. "Sun State Bank has approximately \$39 million in loans, 95 percent of which are to businesses. We recorded our first profit in 1985," he continued. "Since then, we have been doing fairly well."

Nevada State Bank is concentrating more on car and home loans. However, it is also important to note that it is owned by a larger out-of-state banking institution, Zions Bancorporation of Utah.

According to Carlson, Nevada State tries to keep a mix of loans with a concentration on business loans. "We want to be a more personal bank for the consumer, but continue to work with small businesses," Carlson said. "After all that's what made us a bank."

Bradham said his business slacked off in 1991 because of the Persian Gulf War, but picked up late in the year. "Things picked up considerably during January of this year," Bradham said. "Our loan offices have been very busy again."

Even though the banks aren't directly lending to the gaming industry, they predict they will benefit from the construction of three new mega-resorts opening in Las Vegas during the next two years. The smaller service businesses needed to support the additional 11,000 hotel rooms may turn to business banks for financing.

However, the smaller banks are tough on loan qualifications. "If you are not very concerned and conservative you won't be doing this too long," Dedolph said. Sun State is requiring more information from the borrower and more money up front.

Bradham said American Bank of Com-

merce also has higher loan standards. "We mind the store pretty well," Bradham said.

Plus, banking regulations are getting stricter. "Our industry is changing very rapidly, and regulations are tougher than ever," he said. "We feel we have to be very quick on our feet."

Fearing failing loans, bankers are uncomfortable loaning to riskier start-up businesses, Dedolph said. About 85 percent of new businesses fail within the first five years. "If you are starting your own business, you better have some of your own money," Dedolph said.

But that's not to say the smaller banks aren't interested in new businesses moving to Nevada. More and more California businesses migrate to the Silver State to escape California regulations and taxes. Many have gone to the boutique banks in Nevada for loans to make their move.

"There are a number of businesses just getting out of California, plus a number who are expanding here," Dedolph said.

Bradham said business banks have proven more profitable than their larger counterparts within the past year.

Carlson confers, "The financial performance has been better and just about all the business banks showed record earnings in 1991," he said. For instance, Sun State posted total assets of \$54 million in 1991 compared to \$48 million in 1990.

Officials at all three banks are optimistic about 1992 demonstrated by expansion plans currently on the drawing boards.

Nevada State Bank has plans to open two branches in new Las Vegas Smith's groceries. It also will open two new branches in Northern Nevada where it recently debuted three locations.

American Bank of Commerce plans to add a new branch in Southern Nevada this year, but has not decided on a location, Bradham said. 

# Who Is Lending To Nevada Businesses? Who Is Not!

The below public data (as of 09/30/91) on banks operating in our state shows which banks are supporting businesses credit needs and which are NOT.

BANK	12-89	12-90	09-91	% Inc. (Dec.) during period
Sun State Bank	\$ 15,801	\$ 19,495	\$ 25,736	63%
Other Bank Operating in Las Vegas	\$1,048,378	\$1,140,505	\$1,077,186	3%

## California Owned Banks Cut Business Loans

### CA Owned NV Subsidiaries

Bank of America (SF)	\$ 30,605	\$ 17,963	\$ 10,154	(67%)
First Interstate (LA)	966,570	785,140	442,879	(54%)
Security Pacific (LA)	213,667	203,496	142,489	(33%)
All CA Banks	\$1,210,842	\$1,006,599	\$ 595,552	(51%)

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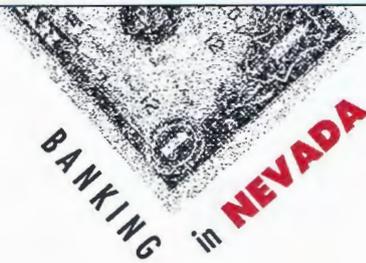
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# FIRST INTERSTATE BANK

## CONTINUED GROWTH AND CHANGE

BY GRAHAM MCKENNEY

*If there is one certainty for banking in the new year, according to senior officials at First Interstate, it's change.*

"You'll see more change in the next two years than you saw in the last ten," predicts Andrew Studdert, Southern Nevada president for First Interstate Bank.

But conversations with the bank's senior management reveal First Interstate is better positioned than ever to handle the tremendous changes ahead.

"Clearly, 1991 held some challenges for the banking industry and for our bank," says Larry Tuntland, the bank's Northern Nevada area president.

"A soft economy revealed weaknesses in bank credit portfolios across the country, hurting the industry's performance," Tuntland adds. "Here in Nevada, First Interstate acted aggressively to reduce lesser-performing loans and to cut costs by consolidating support functions. Now we are focusing on enhancing the quality of our credit portfolio and strengthening our performance."

What does this mean for customers?

"You'll be working more closely with your banker than ever before," says Studdert. "Going forward, credit will be much more disciplined and bankers will

work to develop much closer relationships with their customers."

For one thing, lenders will require greater equity and greater participation on the part of the borrower. Bankers will be more interested in the borrower's financial condition, his business plans and goals, and will work with him to monitor the success of his business.

"This type of disciplined approach to lending is better for the banks, better for customers and better for the economy," Studdert says. "Working together, we can grow at a steady rate while building a stronger, more stable community."

In addition, Tuntland says, "Relationship building will be the cornerstone of banking in the 1990s. Bankers will need to do a better job understanding the financial needs of customers, and then work to do a better job meeting those needs."

Tuntland points to a growing array of banking products, including mutual funds, annuities, cash management and other non-traditional investment products as the wave of the future.

At the same time, Tuntland says, First

Interstate is working to provide each of its customers with a designated banker. "These are professionals, qualified specialists, people who know our customers and their business and can handle all their banking needs."

### **MORE CHANGE AHEAD**

Tuntland and Studdert predict Nevada will continue to experience the type of merger and acquisition activity initiated in the mid-1980s when Citibank entered the state by purchasing the failed All-State Thrift.

Since that time, name changes and mergers have occurred at a dizzying pace. Few banks in the state have emerged from the past decade without a change in ownership or in senior management. Two banks – Nevada National and Security Bank – have disappeared entirely, and four more have new owners. Soon Valley Bank and Security Pacific Bank will merge with Bank of America, and industry analysts expect parts of the remaining bank to be sold or downsized significantly.

"We already have the strategies and structure in place to leverage this period of inward focus among our major competitors," Studdert says. "While it was difficult being the first, we now have an opportunity to leverage our growing strength as our competitors follow us in down-sizing and addressing their loan portfolios. As in the past, customer satisfaction will provide the impetus as we strive to enhance market share."

### **CUSTOMER SATISFACTION**

The good news that arises from all this change is two-fold, according to Tuntland and Studdert: First, surviving banks will be stronger and more competitive both at

## FIRST INTERSTATE BANK



Larry Tuntland

the local level and on a global scale; and secondly, banks will be more service- and relationship-oriented than ever before.

"I expect other banks in Nevada will go through the same process of consolidating support areas that First Interstate has," says Tuntland. "While the branches will remain relatively unaffected, some of the behind-the-scenes areas will be reduced or eliminated to improve efficiency."

This back-office consolidation accomplishes several things, Tuntland says. "By enhancing their performance, banks will become better capitalized and stronger. The strongest banks will be able to offer much more aggressive pricing, which enhances their ability to compete."

In addition, says Studdert, many of the changes occurring now will enable banks to spend more time with their customers. "At First Interstate, customer satisfaction and convenience have remained our number-one priorities," he said. "By removing or consolidating some of the support areas, we are now able to focus 100 percent of our attention and resources on the customer," Studdert says. "Going forward, we'll devote our energy to enhancing our already high levels of customer service."

### LOCAL MARKET FOCUS

This year First Interstate celebrates 90 years of service to Nevadans. It is the state's oldest bank, beginning as the Farmers and Merchants Bank in 1902, growing by leaps and bounds to become First National Bank in 1929 and later First Interstate in 1981. The bank is known statewide for its support of local community activities and organizations.

Late in 1991, First Interstate changed its organizational structure to put more emphasis on the local markets. Larry Tuntland, a 32-year veteran with First Interstate in Nevada, was named area president in Northern Nevada. Tuntland is responsible for all banking activities in the area and serves as the bank's senior executive in Northern Nevada.

He previously served as senior banking executive in Southern Nevada and as head of the Corporate Banking Group. He has served on both the retail and corporate sides of the bank.

Tuntland is active in community affairs, currently serving as a member of the boards of trustees for the University of Nevada, Reno Foundation and the Economic Development Authority for Western Nevada (EDAWN). He also serves as board member for the Boy Scouts in Northern Nevada. He has served as chairman of the Nevada Development Authority and as president of the Boy Scouts in Southern Nevada. He is a board member of the Pacific Coast Banking School, from which he graduated in 1979.

Andrew Studdert, former manager of the Retail Banking Group in Nevada, was named area president for Southern Nevada. Studdert is responsible for all banking activities in the area and serves as the bank's senior executive in the southern part of the state. Studdert serves on the



Andrew Studdert

board of directors for the Nevada Bankers Association, the Nevada Taxpayers Association and the YMCA. He is also a member of the executive committee for the Nevada Development Authority.

Prior to coming to Nevada, Studdert was senior vice president of consumer banking, operations and information services of First Interstate Bancorp in Los Angeles, which he joined in 1984. He currently serves as vice chairman on the board of directors of CIRRUS and has served as chairman and chief executive officer of First Interstate Mortgage Company (1988) and vice president and director of Electronic Banking (1985).

"Our involvement in the community is what makes us a Nevada bank," says Tuntland. "We know the people in Nevada, we know the businesses and we know how to service them. Now, more than ever before, we'll be focusing on building relationships."

"First Interstate has a long history of involvement in the growth and prosperity of Nevada," adds Studdert. "We look forward to playing an even more prominent role in nurturing the growth of the state going forward." 



# A TALE OF TWO BANKS

BY TOM MARTIN

*Let's take some time out from the heady world of mega-mergers in the Nevada banking world and tell a tale of two banks. Together they have less than a five percent market share, but they are doing very nicely, thank you.*

Pioneer Citizens Bank, not to be confused with another financial institution of a similar name, is home-grown and its board of directors filled with names that have roots in Nevada history.

Although Citibank has less of an identity problem, its four branches and credit card center have brought some fresh ideas in community involvement to the state.

Even though their origins in Nevada and business emphasis differs, as banking operations, the pair have some similarities. Pioneer Citizens has seven branches in Southern and Northern Nevada while Citibank has four branches in the Las Vegas area. Pioneer Citizens reported more than \$175 million in assets for 1991, a 14 percent growth over the previous year. Although Citibank has not released a report for 1991, Citibank Nevada President Ed Skonicki said that 1991 assets were estimated at "near \$200 million," an increase of "about 25 percent."

Both attribute their expansion – in the face of difficulties for some larger institutions in Nevada – to their business focus and this state's growth. "We still have a dramatic growth pattern here and have avoided the effects of a recession seen in other markets," said Skonicki of Citibank's progress. "Nevada has not reflected the economy of the rest of the country," said Pioneer Citizen's President Bill Martin, "and even though casinos and real estate are down, there is still growth," he said.

The two banks' business paths in this market reveal a contrast in historical roots and response to the Nevada market. Pioneer Citizens was founded 25 years ago by a group of leading Reno business men, while Citibank entered Nevada in 1984 to build its western region credit card center, with no declared intention at that time to enter this state's banking market.

"We're really proud to be Nevada's only locally-owned true bank," said Mar-

tin of Pioneer Citizens. Skonicki said Citibank considered its move to Nevada as a natural expansion.

The two institutions have looked to different markets for varying reasons. Martin said Pioneer Citizens from the first emphasized business customers, including firms seeking funding for construction and development. "We don't want to knock heads directly with Valley or FIB (First Interstate)," he said of his market niche. Citibank, which purchased a thrift institution four years ago to enter Nevada's banking market, has offered a variety of retail products, according to Skonicki. "We want consumer accounts and have stayed away from business, construction and real estate clients," he said.

Martin describes the perfect client for whom Pioneer Citizens' services are best tailored: A business which does all of its banking at Pioneer Citizens that has purchased property and built an office building in which it is a major tenant – all financed by Pioneer Citizens.

Even though Skonicki said that many newcomers to Nevada come to Citibank because of its name recognition, he said that most of his bank's depositors and customers are locals who have dealt with other banks in the past. "We like to be all things to all people," he said of Citibank.

Although the two banking executives did not compare their operations, there is a big difference in economic impact. Citibank's credit card center, which handles loans and credit card transactions for the western United States, employs nearly 1,400 persons, provides 20 percent of the annual volume for the U.S. Postal Service in Nevada (\$30 million), and has spent more than \$100 million in capital investment. Pioneer Citizens' Martin said that



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## TWO BANKS

his bank's impact can be seen in the personal service available to his customers. "People can call me on the telephone and I answer whenever I am in the office," he said. Members of the board include: Chairman Louis J. Capurro and son Randall, part of a Reno pioneer family; Howard Wells (the "Wells" of Wells Cargo); as well as Las Vegas Ward W. Wengert and John E. Yoxen, both highly respected businessmen from long-time Southern Nevada families.

The two bankers also had different views on long-term growth of their institutions. "We have considered expansion in Nevada, but we look at it as we do other operations," said Skonicki, noting that Citibank has operations in Phoenix and California, but backed out in Utah. Skonicki said that Citibank is not planning to merge with other Nevada banks, and at this time, plans to grow in Southern Nevada rather than open branches in Reno. "Right now we don't have an appetite in that direction," Skonicki said.

Pioneer Citizen's Martin said that growth is necessary for his bank to survive. "Our goal is \$300 million in assets within the next three years, while our number of branches will remain the same," he said. And a big part of this growth could be through more retail programs. He said that a new advertising campaign, emphasizing television spots with a humorous vein poking fun at larger institutions, will target consumers currently with other banks. "In this decade we need to get to \$500-\$700 million in assets, although our market share won't be that much larger," Martin said.

Both have seen some subtle changes in their customers as well. Skonicki said that most new depositors recently have been from California, a reflection that 30 to 40 percent of new Southern Nevada residents in recent years have been from our large neighbor. Martin said that commer-

"We could not be happier with our decision to build our credit card center here. The state has gained and Citibank has gained by doing business in Nevada."

— Ed Skonicki,  
president, Citibank Nevada

cial and residential developers who depended on out-of-state funding in the past are now seeking a series of smaller loans from several local institutions.

Although both executives recognize that the Bank of America—Security Pacific—Valley Bank mega-merger will mark an important turning point in Nevada banking, they offer different points of view.

Citibank's Skonicki: "It will have little to do with us. I think that the competition will make us stronger, but I don't see us going head-to-head with BankAmerica, either. I think competition with the larger banks will make us work all the harder."

Pioneer Citizens' Martin: "The merger will happen, but there may be a new bank as a result of spinoff," he said, referring to the necessary divestiture of some branches as a result of the merger. "There will be a larger gap between banks like ours and the mega-institutions. We will need to grow as a result, so we can compete."

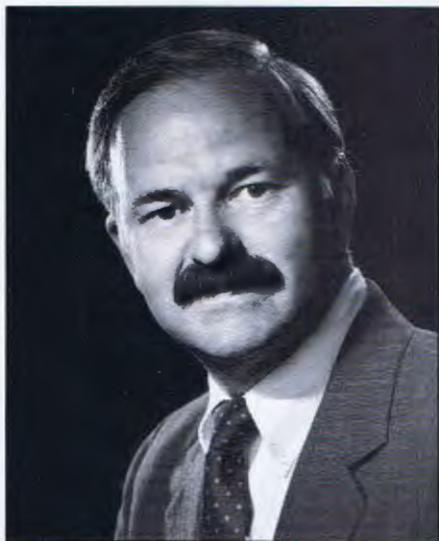
Martin and Skonicki are confident that Nevada will avoid problems that have led to record bank losses — including Citibank — and closings in recent years. "We have the talent here to avoid errors in judgment [seen elsewhere]," said the Citibank CEO. "We don't see anybody in a weak position and we have a tremendous corps of management in Nevada."

Martin said that the new "over-regulation" in this state is a direct result of problems in the savings-and-loan industry in other regions. "There is a regulatory problem when considering troubled institutions versus stable institutions. Congress has over-reacted. When banks everywhere are generally stable, the regulations will moderate. But you won't have big problems with regulators if you run a good institution," he said.

Both men also presented perspectives unique to their business outlook. Skonicki praised the business atmosphere in Nevada and also cited Citibank's community involvement. Pioneer Citizen's Martin analyzed the changing commercial market in Nevada and the role of banking as international economic factors change in the last decade of this century.

"We could not be happier with our decision to build our credit card center here," said Skonicki, who is now a board member of the Nevada Development Authority, which courted the Citibank move in the early 1980s. "The state has gained and Citibank has gained by doing business in Nevada." Since 1984 Citibank has contributed more than \$1.1 million to 54 non-profit organizations in Nevada. Among the contributions: a computer center for the Boys and Girls Clubs; New Horizons Academy for hearing disabled children; a black history exhibit for the Nevada Institute for Contemporary Art; the "Small Change" program for Nevada schools; United Way of Southern Nevada and the Business Partnership Program of the Clark County School District. He also said that Citibank responded directly to employee's needs with an on-site child care center that provides employees with services at 30 percent less than elsewhere. "In addition, they can see their children during the day and it has reduced parent concerns about their children during the workday," Skonicki said.

## TWO BANKS



Bill Martin

Martin said that market conditions and the new regulatory climate has changed the way Pioneer Citizens bank is doing business. "We have restructured the way to do loans for businesses. It takes more equity and stronger appraisals for all kinds of loans. I just don't see banks dealing in raw land any more, and lower occupancy rates will devalue existing properties. As a bank, we want to do the whole package for a business, not just the construction loan," he said of changes that his customers have already seen. "But on the other hand, I am seeing customers I did not know existed three years ago."

Martin also pointed out that the current regulatory climate may threaten the competitive position of U.S. banks in an international perspective. "There is a threat that (U.S.) banks will be unable to compete. The U.S. is now part of a world economy. I think the European Economic Community (EEC) is going to be tough, and then look at Eastern Europe and the former Soviet Union," he said.

But Martin does not want to be known just as a regulation basher. "Let's face it, banks are not totally private," he said, "Banks remain important instruments of public monetary policy." 

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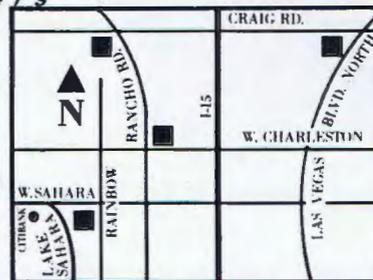
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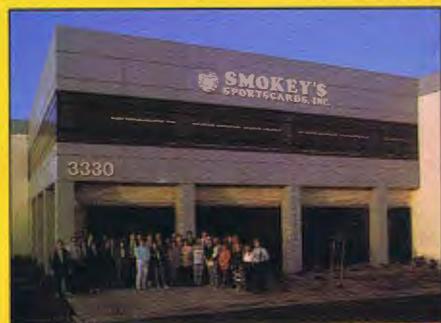


# Smokey's ULTIMATE Challenge

by David Hofstede

PHOTOS BY WES ISBUTT

*It was just five years ago that Smokey Scheinman, then 21, came to Las Vegas to open his first sports card shop. His timing could not have been better. The explosion in popularity and escalating prices in progress on the East Coast were beginning to make their way west, and Scheinman arrived not just to wait for the boom, but to help it along.*



Smokey's success can be attributed to far more than good luck and good timing. At the time of his Vegas opening Scheinman already had years of experience behind him—as both a collector and a dealer. He bought his first trading cards at age five, and by age 11, he incorporated himself as Baseball Cards, Inc. in his native New York. By 1987, when Smokey's opened in Las Vegas, Scheinman had amassed a 45-million-card inventory, priced from three cents to \$10,000.

Scheinman never planned to operate a simple mom-and-pop hobby shop. "I wanted to become the number one sports card dealer in the world as far as inventory and variety, and that is what we are now,"

he claims. And that is just the tip of the proverbial iceberg. There are now three Smokey's shops in Las Vegas, the largest of which is a collector's Disneyland. Located on the Las Vegas Strip, the 5,000-square-foot Smokey's Sportscard Stadium features sports clothing, comic books and an inventory of sportscards and memorabilia dating from 1888 to the present. "Over half a billion" is as close as Scheinman can come to estimating the number of cards in his stores and his 44,000-square-foot distribution warehouse.

Smokey's now distributes to stores as far flung as Paris, London, Australia and Guam. A card store in Japan is currently in the works. The firm has also helped over



*Armed with the latest information on prices and trends, Smokey's specially trained staff fields requests for a wide variety of trading card products from a customer base in excess of 60,000.*

350 enterprising entrepreneurs open their own retail sportscard endeavors with a system likened to a franchise operation sans franchise fees. In addition, Smokey's Sportscards distributes wholesale products to a North American dealer network numbering in excess of 5,000.

There are over 55,000 collectors on Smokey's mailing list, and in a recession-tinged economy, when people were hesitant to buy stocks and bonds, Scheinman discovered that there was still an eager market for hot rookies and hall of famers; Smokey's grossed \$100,000 in 1989, \$1 million in 1990 and a jaw-dropping \$22 million in 1991.

"We've always anticipated this kind of major growth in the hobby," said Scheinman, pointing to industry estimates of 25 million card collectors nationwide – an all-time high that continues to grow. The industry itself grossed about \$2.6 billion last year, up from \$600 million in 1989.

What to do for an encore? Scheinman decided to launch his own series of trad-

ing cards, which have just hit the market. It's not an original idea; around the time Michael Jordan's rookie basketball card began commanding prices of \$900 and up, everyone with a camera and a printing press starting turning out their own product. Suddenly, the old familiar Topps brand sports cards were joined on the racks by Upper Deck, Fleer, Donruss, Score, Leaf and Bowman. There are golf cards, tennis cards, bowling cards, auto racing and more. Look for the stars of lacrosse and luge to be immortalized any day now.

"I'll be the first to tell you there are way too many cards on the market right now," said Scheinman. "The problem is not the smaller manufacturers and producers [many of whom he feels will not be around much longer], but the larger companies that are over-producing. If one company issues 13 different series of hockey cards, it devalues every other manufacturer's cards."

Scheinman says his creation, the Ultimate Trading Card Company, will pro-

duce "a collectible, not a commodity." He believes he knows what the consumer wants, having been a collector himself for 16 years. "There is always room for a high quality, limited edition series, and that's what we've created"

The first Ultimate card featured UNLV star basketball player Larry Johnson, now a member of the Charlotte Hornets. The company printed 49,500 numbered sets. "Every one of Ultimate Trading Card Company's releases will be numbered, so the customer will know there aren't seven million of one card on the market," Scheinman said.

But Ultimate's first sport of choice is hockey. The company's "Original 6" series – officially licensed by the National Hockey League – consists of players from the original six teams in the NHL. The series was slated for release to coincide with the NHL's 75th anniversary. Vintage photography of hockey's greatest names from the 1950s and '60s were used – hockey aficionados will recognize hall of fame skaters such as Bobby Hull, Red Kelly, Allan Stanley and Boom Boom Geoffrion. In addition, these legends were persuaded to lace up the skates and hit the ice for new photos. Special subsets – a must for any trading card line – feature great moments in the NHL's history and the NHL's greatest referees. To further sweeten the pot, a limited number of Bobby Hull hologram cards will be randomly inserted in foil packs.

Scheinman has hired *Sports Illustrated* photographer Peter Read Miller to photograph Russian and Czechoslovakian hockey stars for an international hockey set scheduled for release this fall. Ultimate will also cover World League Football. Designated as the World League's "official trading card", the 200-card series should reach stores this spring. The company plans to promote a \$1 million cash giveaway associated with the World League series.

More sets will follow. "Manufacturing is mushrooming," Scheinman said. "Right now we have more ideas than we have time to produce them." For instance, the Ultimate Trading Card Company has obtained the rights to 1930s cartoon characters Betty Boop and Popeye, and plans to devote card sets to each. In addition to new stories featuring the characters, the cards will depict sports figures such as Don Mattingly promoting messages on timely issues such as drinking and driving, and safe sex.

"It hasn't been easy, coming up with original ideas that will spark interest in the collector," Scheinman admits, but he has high hopes for all of Ultimate's debut releases. "All of our sets are licensed with the appropriate organizations—approvals for which are difficult to obtain. The licensing, though, makes a difference."

Scheinman reports that other manufacturers have "voiced concern" over Ultimate's cards, which he interprets as a good sign. "The greatest flattery we've had is to be considered a major competitor even though we are a new entrant into the field. However, we don't want to be another mega-producer." The objective, said Scheinman, is to be the "biggest little card company in the world," and to "put collectibility back into cards."

Smokey's SportsCards, Inc. will not be distributing Ultimate Cards, which Scheinman feels is a necessary step to avoid any conflict of interest. Smokey's stores will receive the same amount of cards as other card shops and the Ultimate line will also be carried by Woolworth, K-Mart, Wal-Mart, Sav-on, Eby-Brown and other national retailers.

Scheinman predicts the number of sports card collectors will double in the next five years. "Card collecting is a 100-year tradition, not a fad. It's a way to relive the past and invest in the future." In fact, prices continue to soar on many items, with rookie cards of players in major



*Smokey's 44,000-square-foot distribution warehouse facility ships orders to collectors throughout North America and such far flung destinations as Paris, London and Australia.*

sports appreciating at an average annual rate of 40 percent. "As long as sports are played, the cards will be popular," Scheinman said.

So, now's the time to dump those IBM shares, dig out your shoe boxes of cards and open your own shop, right? Probably not. The problem is, about a zillion people have beat you to it, and while the number of card collectors may be increasing, Scheinman predicts the number of retailers is on its way down.

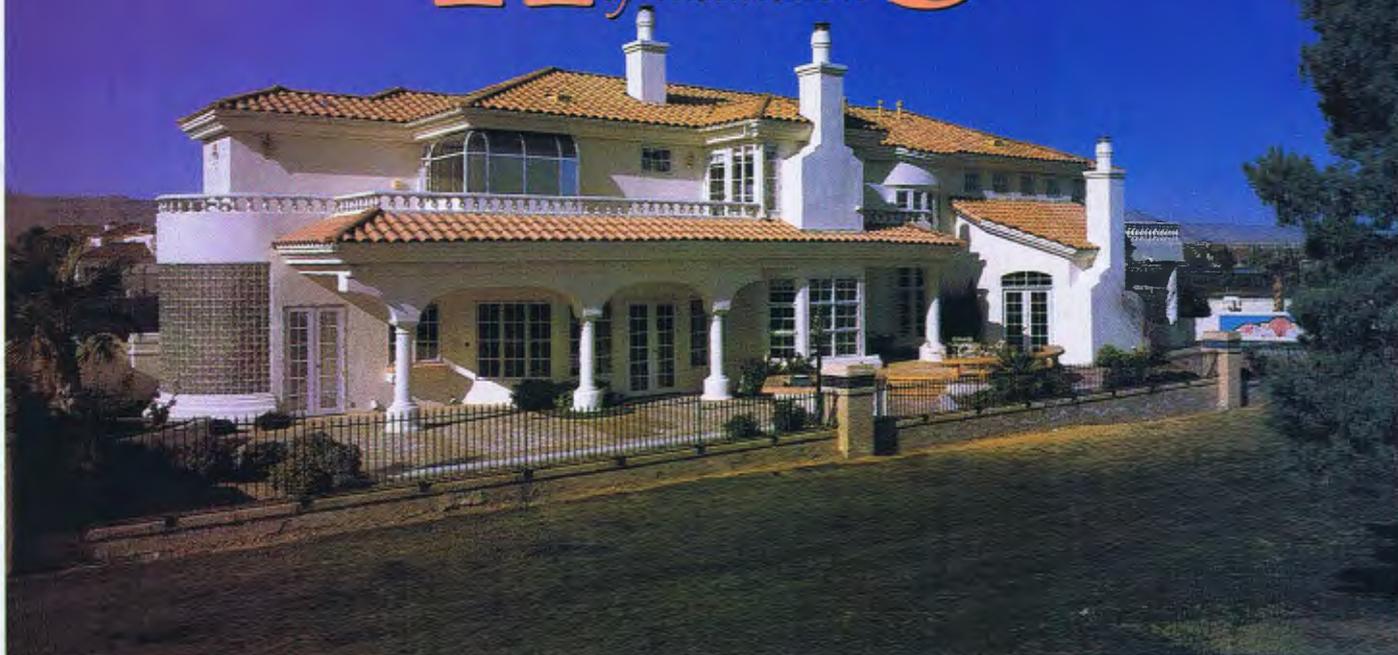
"We believe there is going to be a major shakeout in the industry. The boom in cards has attracted a lot of marginal players—hobbyists who become retailers and undercapitalized small store owners who may not know the industry very well." Who will survive? "Those with knowledge, financial strength and a wide variety of merchandise. You have to have money to afford that kind of inventory." Scheinman draws a comparison between card shops now and video stores five to 10 years ago. "There used to be a small video

store on every corner, but then Blockbuster began moving many of them out. The same thing will happen here."

Scheinman attributes the success of his card shops to the ten years of experience in buying and selling he gathered before opening his first store. "My philosophy is to give the people what they want. I wanted to have a store in which a collector could find any card he wanted, which is why I reinvested every penny I made early on. It's been hard over the past few years with all the cards that are out there, but I think we have the most complete selection in the country. If you need an 1888 tobacco card, Wayne Gretzky's rookie, a Mickey Mantle autographed baseball or a set of bowling cards, we have it."

And even with his enormous inventory, Scheinman still maintains his personal collection of cards, and finds the hobby enjoyable, which is after all what a hobby should be. "Sure, it's still a rush to open a new wax pack of cards—but these days, it's even more fun to design them." ♦

# HOMES *of distinction*



OPULENCE STUDIOS

## Designing Every Detail

by Linn Thomé

Nestled quietly among the lavish adobes of Las Vegas' tony Spanish Trail development, the newly completed 6,300 square-foot Mediterranean-style home of Sharon and Herman R. Eminger combines studied practicality with elegant architectural detail. What makes the construction of the home particularly unique, perhaps, is the fact that the Emingers acted as the general contractors, with Sharon adding her skills as designer.

Certainly such an undertaking is not new to the Emingers. Herman, a real estate developer with John H. Midby & Associates Development Company, and Sharon a custom designer, had considerable experience from which to draw.

"Actually I have been involved in general contracting for three years, and freelance designing for 25 years," Sharon says. "I also have been doing a great deal of electrical designing using star tubes

and fiber optics to achieve special effects. With this house, I have created custom lighting using glass block and color."

Clearly the home has a woman's touch, and it is this fact which, according to local realtor Susie Perrine, makes it so outstanding. Working with Jim Nalley of Camidan Construction, Ron Globus of Orion Construction, and Trisha's Design, Sharon has created a custom environment that utilizes a dramatic view overlooking the golf course and surrounding mountains to create an airy sophisticated residence. But it is the thoughtful design extras—a fireplace in the master bedroom, as well as in the living room and family room, large walk-in closets, utilization of normally lost or dead space as storage, pop-up television in the master bedroom, built-in humidifiers—these are but a few of the items that work collectively to make the home liveable and inviting.

The large, well-planned kitchen ensures meal preparation is efficient as well as enjoyable. Boasting beautifully crafted cabinetry, the kitchen features two separate cooking surfaces with two double ovens, microwave, two dishwashers, trash compactor, a food center, three appliance garages, a full-size Sub-Zero refrigerator and freezer, wine rack and an impressive meal planning center.

Sharon explains that many families want their kitchen to be highly functional, as well as elegant. "After all, a considerable amount of informal entertaining takes place in this area." The use of granite and ceramic tile, surrounded by light oak flooring, is as functional as it is beautiful.

Gracing the home's entry and bathrooms is exquisite stained and etched glasswork. A 24-foot living room ceiling is graced by a circular staircase leading to the second floor. The master suite has

and her separate bath and walk-in closets and a dramatic elevated tub-spa with its own private balcony. It is, as realtor Perrine says, a home that could sell itself.

The fun and challenge of her work, Sharon states, is having the opportunity to interpret the ideas and dreams of her clients and turn them into reality and she further offers some advice to those who are considering building a custom home.

"If my client is building a custom home, as we did, I believe it is most important to have a pretty clear idea of what they want. It is very important to establish a good relationship with the designer. "One of my pet peeves is the fact that most homes have so much wasted space. You see this even in many very expensive custom homes. To me, this demonstrates a lack of thought and planning on everyone's part.



OPULENCE STUDIOS

I have to add that I think this is where having a woman's viewpoint is very helpful. Regardless, it's vital for the home owners to express what their particular needs are and their life style. Being able to communicate with a designer is critical. You must have that rapport in order to

obtain the best results. Of course, there is always the budget to be considered. It is very easy to go 30 to 50 percent over budget. Sometimes more. And most important - try not to be in a rush. Designing and building a home and should be an exciting and gratifying experience." ♦

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T.C. PARKER

*Milgard General Manager Randy Dodd (left) and President Gary Milgard*

## Milgard's Recipe For Success Fares Well in Vegas

Randy Dodd, general manager for Milgard Windows' Las Vegas operation, is seeing red.

And he's loving every minute of it.

Milgard's bright red window stickers are popping up all over Southern Nevada on everything from high-end custom residences to light commercial projects to affordable homes — all at a surprising rate. But it's not surprising to Dodd.

"We build our own windows with local talent," Dodd explained. "We deliver what we build. We service what we sell. And we back our products with the best guarantee in the business."

Milgard's guarantee, Dodd says, is simple. "If anything ever goes wrong with our window — for as long as you own the home — we'll take care of it. No charge."

Apparently, Milgard's unique approach is working. Until Milgard came to town in September, they were virtually unknown in local homebuilding circles — ironically because of their unusual business approach. "We won't sell a window outside

of our market area," Dodd explained, "because we don't believe in servicing a customer that's out of reach."

It didn't take long for locals like Whittier Development, DiLoreto Construction, Coleman Homes, Christopher Homes and the Helmer Company to catch on, according to Dodd. They're just a sampling of Dodd's local customer base.

According to Dennis Stein of the Nevada Development Authority, Milgard is the kind of company Las Vegas needs to draw to the area. "Milgard is a growing company that plans to stick around," Stein said. "Their work ethic is strong and their goal is clear — to build the best windows available in Nevada."

Milgard's customer base extends beyond builders and architects. Their line of replacement windows answer a consumer need as well. "We offer an alternative to less efficient single-paned windows," Dodd explained. "With our replacement windows, an installer can outfit an entire home in one day with new dual-paned, cost-efficient windows that look great — and all without damaging stucco."

Dodd said many homeowners are opting for replacement windows and remodeling rather than moving during a questionable national economy.

Still, looking at Milgard's operation, one would have to ask, "What economy?" Each morning at Milgard's facility, trucks loaded with windows head for job sites all over Southern Nevada. Phones are ringing. Salespeople are in the field answering technical questions and measuring window openings.

So what's next for Milgard? By this time next year, Dodd plans to employ 100 or more people. He predicts an upswing in the housing market with a continued focus on quality and value by homebuilders and homeowners alike.

Dodd has planned a grand opening for the Milgard operation this spring at their facility located on North Mojave Road in Las Vegas. Milgard's Las Vegas facility brings their total to eleven manufacturing facilities in the Western U.S. 

## Blue Chip Nevada Stocks

by Lynn Waddell

*Even with the recession, stock brokers and analysts have a bright outlook on several local-interest stocks they were asked about.*

### MARCOR RESORTS INC.

MarCor has undergone some dramatic changes within the later part of 1991 that should keep revenues on track for 1992, local brokers say. From selling its real estate, which has been a burden to the company's financial statement, to marketing and operational changes, MarCor has improved its future.

"Their outlook is real good because they have been bucking the trend," said Tom Hantges, gaming analyst for USA Capital. "They are expanding and doing better in the recessionary environment, so obviously they are doing something right to pull that off."

Continuing with transition, MarCor is changing its name to Rio Hotel & Casino Inc. to more truly reflect the operations of the firm. The off-Strip 420-room resort on Flamingo Road opened in the spring of 1990. However, its beginning was slow with the first year showing a loss.

Increased marketing, lower pricing of improved food, and changing the casino's slot mix, however, had a positive effect in 1991. The loss of 1990 changed to an increase in 1991. The improved earnings helped MarCor's stock to nearly double in price the past three months, said Hantges.

Mike Moody, with Union Equity Partners, said for MarCor to continue its upward trend, it needs to add another room tower to the Rio. The company is attempting to obtain financing for a new tower, and continued good earnings reports should help it accomplish that, he said. "It could do well or it could do phenomenally well," Moody said.

One challenge the hotel will face is competing with the three new mega-resorts being built in the next two years:

Mirage Resorts' Treasure Island, the MGM Grand Hotel & Theme Park and Circus Circus Enterprises' "Project X".

"It's important the Rio continue to play to locals, as well as tourists, and continue to highlight its unique features such as being an all-suites hotel," Moody said.

### EG&G

Despite the thawing of the Cold War, EG&G, which is headquartered in Southern Nevada, continues to do well because of diversification, said Kevin Palmer, a broker with PaineWebber.

"In light of the slow economy and defense cutbacks, EG&G posted a fourth quarter better than last, which is encouraging," Palmer said. "I think it is because they have begun focusing on increasing revenues outside the defense industry and going after non-U.S. customers."

The company which provides radiation detection for the federal government at the Nevada Test Site, also has offices in California, New Mexico, Massachusetts and Maryland.

More than \$2 billion of EG&G's \$2.7 billion revenue in 1991 was derived from defense-related work. However, the firm has used its high-tech skills to work on NASA projects such as a space crystal recently testes on the shuttle. The technology could lead to finding oil and mineral deposits or viewing radiation emissions.

Its stock has been selling for about \$50 a share - near its 52-week high.

### CAESARS WORLD INC.

The gaming company is coming off a good year despite the recession, and brokers say more is expected. In its second quarter ending January 31, 1991, it had an

all-time high in revenues and earnings. Henry Gluck, Caesars World president and chief operating officer, said the sharply improved quarter was mainly caused by an increase in casino revenues.

Caesars has two casinos in Nevada, one in Atlantic City and a gambling cruise liner in the Pacific. It is also exploring gaming operations on Tinian, a small island near Japan.

In February, after battling increased competition from the Mirage in 1990 and tough times in Atlantic City, Caesars World announced earnings per share of 92 cents up from 17 cents the same quarter of the previous year. "I didn't expect this at all," Moody said. "Caesars has always done well, but I'm surprised to see it do as well as it did."

Palmer and Moody said the increase also had much to do with improvements in New Jersey. For instance, a new parking garage was added this year, because finding parking spaces is difficult in Atlantic City.

In Las Vegas, Caesars has the opening of its Forum Shops to look forward to this spring. The 240,000 square feet of shops and restaurants was built adjacent to the casino, but with the money of outside investors. Thus the resort will gain foot traffic through its casino without having to spend its own money.

Many of the businesses inside are making their Las Vegas debut such as trendy Spago, a popular Hollywood restaurant. Plus, within the public areas, the Forum will have entertainment in the form of 15-foot robotic replicas of Roman gods.

"I think it will be good for Caesars, but whether it will be a stand-alone success depends on what the economy looks like when it opens," said Harold Vogel, chief casino analyst for Merrill Lynch investment firm. "But it definitely makes sense for Caesars, because it didn't push them deeper in debt."

Caesars stock may already reflect an

anticipated success of the Forum, Moody said. The stock price has risen as high as 39 1/4. "One reason the stock market does what it does is because it tells people where we are going," Moody said. "There has been a rush to buy Caesars stock because people are expecting big things."

Hantges said the Forum will help Caesars further establish itself in Las Vegas as more mega properties are built. It will also help the entire city distinguish itself from other gambling destinations.

"As gaming proliferates around the nation and world, things like the Forum set Las Vegas apart," Hantges said.

**INTERNATIONAL GAME TECHNOLOGY**

Also bucking the recession, is International Game Technology (IGT), a slot

machine and gaming equipment manufacturer based in Reno. The company, which has seen phenomenal success, can expect it to continue as gambling becomes increasingly legalized around the world, Hantges said.

"They have already established themselves as tops in Nevada," Hantges said. "More and more places are legalizing gambling within the United States, and are using their machines."

IGT manufactures 60 to 70 percent of the slot machines used in Nevada. It introduced video poker machines and progressive slot systems such as Megabucks, Quartermania and Nevada Nickels.

"IGT has been a gang-buster all year long," Palmer said. "They have been pulling in contract after contract."

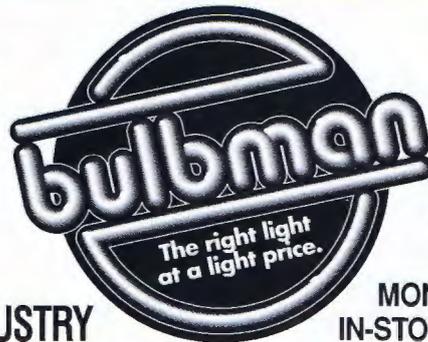
In 1991, IGT won the contract to supply

Manitoba Lotteries Foundation with a computerized electronic video lottery system - including 800 lottery terminals.

Because state lottery revenues are weaker, more may legalize video poker for another source of tax revenue, said Eugene Christiansen, president of Christiansen/Cummings, a New York-based gaming consulting firm. IGT machines are a likely choice. The firm's equipment is already used in South Dakota and Colorado casinos. Plus, more Native Americans are turning to casino gambling as a source of revenue. Tribes that have legal casino gambling have video poker and slot machines.

The worldwide gambling boom could push IGT's stock to \$100 a share as it did last year according to Moody. "It's going to continue to do well," he said.

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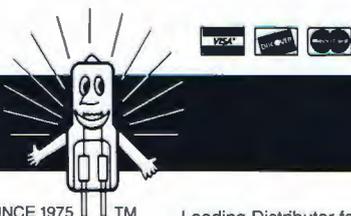
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# Nevada Bankers Association: Working for change

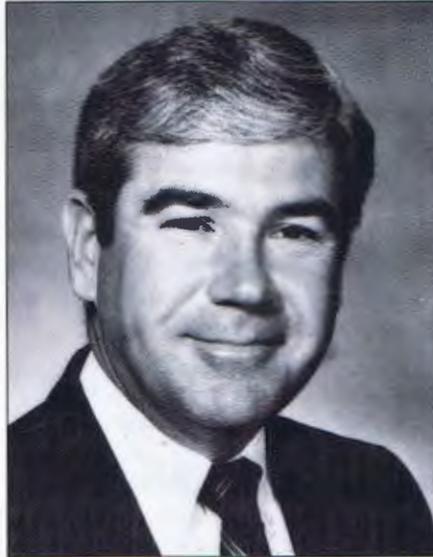
by Lyle Knight  
President, Nevada Bankers Association

Banks and banking activities have received more attention in the Nevada media this year than any year in recent memory. While the information shared has been both of a positive and negative nature, the upcoming year promises to be one more heavily slanted to the positive side.

Normally, banks are a reflection of the economic strength of the areas they serve. Consequently, of the events that Nevada bankers look forward to in 1992, a solid economic recovery ranks at the very top of the list. The nation, as well as the state, eased into the current economic recession, and we expect to ease out of the recession also. This means that we do not look for a robust break out of the recession, instead slow but steady growth during 1992. The second event that most bankers look forward to is the acquisition of Valley Bank by Bank of America which precedes the merger of Security Pacific Corporation with Bank of America.

First and foremost, the acquisition and merger brings to Nevada one of the largest and strongest financial institutions in the nation. This institution's strength is centered not only in its size and profitability, but also its economic diversification. This is good news for Nevadans, for history has proven in states such as Texas and Arizona that banks that only do business within a small geographic area are totally dependent upon the economic health of that area and should a localized recession occur, the bank is weakened which further aggravates the recession.

On the other hand, with banks like Bank of America that have a strong presence in a number of states and



Lyle Knight

which serve a number of different economies, localized recessions do not severally impact their ability to provide credit as well as other non-credit and deposit services. Diversification is the foundation for a healthy financial institution.

While Nevada bankers have enjoyed the positive business climate created by Nevada lawmakers, many of Nevada's banking activities are controlled or regulated by federal statutes. The banking industry faced grave disappointment in 1991 when the U.S. Congress failed to pass any positive banking legislation. Banks remain at a competitive disadvantage when measured against other providers of financial services.

Nevada bankers have identified six major areas of concern upon which to focus their energies:

## **ENVIRONMENTAL LENDER LIABILITY**

The risk that lenders will be liable for

environmental clean-up on foreclosed property – regardless of whether their actions contributed to the environmental problem – has led a majority of banks to simply reject loan applications if there is any possibility of environmental liability. The consequences of this problem are already apparent. Major trade groups, including the National Federation of Independent Business and the Associated Builders and Contractors, have testified before Congress on several occasions about the devastating impact current interpretations of environmental lender liability are having on credit availability to their industries.

## **LENIENT BANKRUPTCY RULINGS**

Consumer bankruptcies are exploding and are having a chilling effect on lending due to large loan losses and the increased risk of future losses. More than 900,000 personal bankruptcy filings were made in 1991, nearly three times the level recorded in the 1981-1982 recession. The recession and weak recovery are partly responsible, but the trend has been steadily upward for the past seven years.

## **TAX LAW REFORM**

It is clear that tax policy had a significant influence on economic performance in certain business sectors in the 1980s. In light of that experience, the ABA recommends that Congress use a carefully structured approach in crafting any economic growth tax provisions in 1992.

### **Tax reforms necessary to spur economic growth:**

- Restoring broad-based individual retirement accounts (IRAs) with up-front deduction and tax referral on the

*interest earned.* ABA supports the proposals to expand the availability of IRAs (or similar savings accounts). There is a consensus that the U.S. savings rate is too low to provide the capital for investment that is necessary to ensure robust economic growth.

As part of any IRA program, it is important to provide "safety-net" exemptions for early withdrawals from IRAs for education, major medical expenses, and first home purchases. Safety-net exemptions will break the psychological barrier to IRA participation and will encourage more Americans to put their funds in long-term savings accounts.

- *Permitting tax-free conversion of common trust funds into mutual funds.* Tax-free conversions will permit banks to diversify customer assets – including making mutual funds available to their customers – and make IRAs more attractive. This small change would be tremendously important for encouraging savings and enhancing the competitiveness of the banking industry.

- *Providing that banks do not have to accrue income for tax purposes on loans put in non-accrual status by bank regulators.* The current IRS practice forces banks to prepay tax on interest income that they will likely never receive. Banks should be permitted to rely on regulatory classifications of loans and stop accruing interest income on non-performing assets. This will help free up more resources to be used to support additional lending.

- *Clarifying tax amortization of purchased intangible assets such as bank core deposits.* ABA strongly supports Chairman Rostenkowski's proposal to resolve tax controversies on amortization of purchased intangible assets. Banks which have acquired core deposits or other intangibles would be able to release their tax contingency

reserves from their financial statements. This would make bank balance sheets stronger, enabling banks to expand their lending activities.

- *Reforming tax laws relating to real estate.* Congress should adopt passive loss rules for real estate professionals, make changes in the tax treatment of foreclosed property, and encourage pension fund investment in real estate. These provisions will help the sale of real estate, help establish and stabilize real estate property values, and help ease the burden of holding large volumes of foreclosed property in currently depressed real estate markets.

### **INTERSTATE BRANCHING**

While many states, including Nevada, currently enjoy the benefits of interstate banking which allows large multi-state banks, such as Security Pacific Corporation, First Interstate Bank, Citicorp, and Bank of America, to provide banking services to Nevadans, we have not allowed those large multi-state banks to enjoy the efficiencies associated with belonging to a larger company. Current banking laws require each of the local subsidiaries of the multi-state bank to be separately chartered, separately governed, separately regulated, separately managed, and separately directed within each state. The potential cost savings of an interstate branching system translates into stronger banks and more competitively priced products and services.

### **SPIRALING INSURANCE PREMIUMS**

Sharp increases in bank premiums have eroded bank earnings and capital – resulting in restricted credit flows, particularly in economically distressed areas. The anticipation of higher premiums at mid-year is causing a further credit-tightening effect as banks

take action now to absorb these expected new costs.

With the short-term funding needs of the Bank Insurance Fund addressed and with recently enacted reforms that should lower the cost of resolving bank failures, a long-term approach to setting premiums is needed. Unless economic conditions deteriorate further, the Bank Insurance Fund should reach a reserve balance of between \$35 and \$40 billion in 15 years at current premium rates of 23 cents per \$100. This would be sufficient to meet the legislatively required 15-year recapitalization of the insurance fund without putting further stresses on banks and the communities that they serve. Indeed, another major premium increase in 1992 could be very counterproductive – particularly in those regions of the country hit hardest by the recession – since the result will be less credit for consumers and businesses and additional bank failures.

### **THE REGULATORY BURDEN**

In the last five years alone, over 40 major changes or additions to bank regulation have been made, many of which are unrelated to bank safety and soundness. This large and growing burden is seriously affecting the ability of banks to meet the credit needs of their local communities. As regulatory expenses mount, less money can be plowed back into capital, resulting in a dramatic reduction in available credit. For every dollar absorbed by the mountain of regulations, \$8 to \$12 of new loans to the community are lost.

The Nevada Bankers Association will continue to work for positive changes to ensure a healthy competitive environment for the industry so it will remain strong and sound and where Nevadans will be assured of competitively-priced, state-of-the-art services. 

## TOM MASTERSON

### Nevada Copy Systems' new general manager

by Linn Thomé

**From all outward appearances Nevada Copy Systems looks and acts**

**like the conservative, but aggressive copier dealer it's always been.**

**But looks can be deceiving because change, in the form of a dynamic**

**new general manager, has indeed taken place.**

Founded in 1979 by Gary Martin, Nevada Copy Systems was, ten years later, acquired by Alco Standard Corporation, a holding company of considerable size and impact. Listed on the New York Stock Exchange, the company has impressive annual revenues which exceed \$4.5 billion. Among its interests are Paper Company of America and one of the largest networks of office dealerships in the U.S., of which Nevada Copy Systems is one.

Following Martin's resignation in November 1991, Alco Standard recruited Tom Masterson to take over the NCS helm. Although he's only been in Las Vegas a short time, the new general manager is already as enthusiastic about the city as he is about his new job.

"The thing that led me to accept this position was the fact that Nevada Copy Systems, as an organization, is committed to the community," he says. "Also, as part of the Alco Standard Corporation team, with over 100 employees in the state and more than 60,000 employees worldwide,

Nevada Copy Systems is a strong and viable force in the business place. Lastly the strength of the product line sold [Sharp and Cannon copiers and facsimile machines], plus the recognition in the community were factors in my coming."

But for Masterson, who formerly lived and worked in Sacramento, the economic strength of Southern Nevada also figured prominently. "In my short time here, I see Las Vegas as a dynamic business community," he continues. "And it's an excellent place to raise a family. The cost of living and the fact there is no state income tax are certainly significant considerations. Furthermore, there's a favorable climate here for businesses to grow and develop. More and more people are realizing this fact."

Masterson should know. An Idaho native who graduated from Boise State University with a bachelor of science degree in marketing, his various career moves have taken him to other Sunbelt states. His experiences there and his careful pre-move assessment of the Southern Ne-

vada area make him carefully optimistic.

"From what I've seen, growth has slowed somewhat, but it's definitely not stagnant," he says. "Understandably the national economic situation has made people here more cautious. This doesn't mean that they are not growth oriented, however. But it does provide Nevada Copy Systems with the challenge of addressing their current needs by providing programs that offer more cost effective alternatives to help them minimize their cash flow while at the same time accommodate varying needs and plans."

Masterson points out Nevada Copy Systems, whose headquarters is located across from the UNLV campus, has a large warehouse and service center on Arville and serves the entire state with branch offices in Reno and Lake Tahoe. He says the advantage NCS has over its competitors is the strong financial backing of Alco Standard and its commitment to serving the business community.

"I can best illustrate what I mean by describing a personal situation. After accepting this position, Alco Standard was very accommodating, very sensitive in making this transition comfortable not only for me, but for my wife and baby. You don't often see that type of response from large companies."

Masterson explains that although he does not anticipate making any immediate changes as the new GM, Nevada Copy Systems will be expanding the Cannon line into its own facility soon.

"We're also looking at short- and long-term changes in physical location and we'll be consolidating administration and warehouse activities," he says. "This will probably take place within a year. One of the things we might consider is doing a 'build to rent' or possibly buy an existing facility. So, change is part of the scenario now, but it's based on our desire to better serve our clients. That part, of course, is a constant." ■

*by Ehert Kowalk*

## ADVERTISING YOUR ADVANTAGE

Deciding on the right combination of advertising messages and the media in which to run them is a difficult quest for even the largest of companies. How then, can small business owners create effective, targeted advertising that turns potential buyers into repeat customers?

An effective advertising campaign starts with common sense. According to Shelley Safian, president of Safian Communications Services – a Winter Park, Fla. advertising agency – you need to begin with a plan that clearly defines your customer base and the media that spurs them to action.

“This may seem obvious, but I’ve found that not developing a plan is a common mistake small business owners make when developing their advertising,” Safian says. “Without a plan, a business will tend to overspend in one area and underspend in another. You also risk throwing your money away in totally inappropriate advertising vehicles.”

Therefore, Safian, who counts many small businesses among her clients, recommends establishing a road map leading to clearly defined and measurable goals for a specified expenditure.

“Determine things like the number of customers you want to get in the door or on the phone, or how many widgets you want to sell,” she says. “Keep in mind that the amount of money you have to spend directly affects whether you can realistically meet your objectives. The general rule of thumb is that four to five percent of gross revenue should be spent on advertising,” Safian notes.

You also need to develop a profile of your potential customers.

“Define your customer base geographically and demographically to help determine the media in which to advertise,” says Donna Millenson, an executive with the Newspaper Advertising Bureau, a trade association based in New York City.

“Identify everything you can about your targets – including age, gender, education and income level,” echoes Stan Geiser, Midwest regional coordinator for the Service Corps of Retired Executives (SCORE), which provides free, confidential counseling to small businesses.

Geiser volunteers that there are some inexpensive sources for capturing this type of data. Major corporations often use focus groups and customer surveys to uncover this kind of information.

“While small businesses typically do not have the funds required for this kind of exercise, the company can do some informal research by calling potential customers and asking them how their wants and needs relate to the products,” Safian says.

At this stage it’s also useful to examine what the competition is doing. “Study what your competitors are doing – how they merchandise, the level of service they provide, their business hours,” says Max Fallek, president of the Minneapolis-

"The key is how the media relates to the target market. You need to ask, 'Will communicating in this medium bring the customers I want?' Only then can you feel confident you're getting the most bang for your buck."

lis-based American Institute of Small Business (AISB). "If you can go one step beyond what they offer, it will help you create a more unique message."

Once you've identified your customers and tailored your product and message to them, the final step is to select the medium in which to deliver this message.

"No single medium - newspapers or magazines, radio or television, direct mail or billboards - is inherently better than any other," says Bill Greenwald, a partner in Quality Centers, a shopping-center developer based in Orlando, Fla.

Each has very specific audience profiles, and very specific strengths and weaknesses depending on the nature of your audience and the message to be delivered, Greenwald advises.

"The key is how the media relates to the target market," Greenwald says. "You need to ask, 'Will communicating in this medium bring the customers I want?' Only then can you feel confident you're getting the most bang for your buck." 🍀

*Ehert Kowalk is an IBM marketing manager who focuses on small and growing businesses in the Las Vegas area.*

*This monthly column is sponsored by ValCom Computer Center, 4305 S. Industrial Rd., Suite 110, Las Vegas, NV 89103. Any comments or requests for additional information, call (702) 795-1010.*

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All Las Vegas Radio Shacks		Southwest Car Stereo	384-1331
American Cellular	870-7808	Stereo Plus	876-4434
Best Telephone	382-4668	<i>In Boulder City:</i>	
CEI	873-5000	Foxhouse Boutique	294-4120
Executive Car Audio	368-6411	<i>In Bullhead City:</i>	
Frontier Radio	871-6166	Sound Chamber	758-8555
Herda's Appliance	737-1045		

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by K. Michael Spuhler

## Requirements More Stringent for Estimated Tax Payments

For certain high-income individuals, recent changes in the law will have the effect of accelerating future estimated tax payments. If you make estimated tax payments, you'll want to consider the new rules before the second quarter payment deadline of June 15.

### THE BASIC RULES

For the most part, individuals must still make four installment payments for each taxable year, and generally, each installment must equal 25 percent of the "required annual amount." This year, what has changed is the definition of "required annual amount" – the base amount for calculating your installment payments.

Until now, estimated taxes needed to equal the lesser of 90 percent of your current year's tax liability, or 100 percent of your preceding year's tax liability. An alternative calculation method satisfied the 90 percent payment requirement for each period based on an annualization of taxable income through the end of the month before a payment was due.

Under the new rule, you no longer have the option of calculating your current year estimated tax payments on the basis of your preceding year's tax liability if:

- Your modified adjusted gross income (AGI) increases by more than \$40,000 (\$20,000 if married filing separately) over your actual AGI for the preceding year;
- Your current year's actual AGI is more than \$75,000 (\$37,500 if married filing separately);
- You have made an estimated payment (or been assessed an estimated tax penalty) for any of the three preceding years.

Basically, modified AGI is computed

without regard to, increases in taxable income from the sale of a primary residence, an involuntary conversion, or an S corporation or partnership in which you own less than a 10 percent interest (and in which you are not a general partner).

### NEW RULES EFFECTIVE FOR 1992

For many higher-income taxpayers, it will be advisable to make quarterly "annualization" calculations. This will help determine the minimum payments required to avoid a penalty. When an annualization method is used for a quarter, the estimated payment must be increased by any shortfall that resulted in prior quarters from the method used in those quarters.

The new rules apply to estimated tax payments for taxable years beginning after 1991 and before 1997, except for the first installment for any taxable year. For the first installment only – April 15, if you are a calendar-year taxpayer – you can still make a payment based on 100 percent of your preceding year's tax.

If you underpay estimated taxes for any quarter, you will need to pay a penalty to the IRS – a nondeductible interest charge – for the period of underpayment.

The new rules may affect you. If so, you should contact your tax adviser to discuss your situation.

*K. Michael Spuhler is a tax partner with the firm KPMG Peat Marwick.*

## Nevada Briefs

### HSST-Nevada reorganizes

HSST-Nevada has asked the Public Service Commission for an extension of time on complying with the conditions the PSC established before it will grant the high-tech train company a certificate of public convenience.

HSST-Nevada filed the petition with the PSC in Carson City stating it "will need until January 4, 1993 to comply with PSC requirements as a result of a corporate reorganization it is undergoing."

HSST-Nevada spokesman, Dick Campbell said, "HSST-Nevada is a subsidiary of HSST Corporation. Our parent company is now being reorganized to increase its invested capital and facilitate the continued development of magnetically levitated technology in the United States and other countries.

HSST-Nevada has been operating in the state since March of 1987 and has invested \$12 million in pursuit of the permits and licensing needed for the corporation to build a high-tech, pollution-free train running in the median of I-15 near the tourist-laden Las Vegas Strip.

The PSC issued a compliance order in

October, 1990 requiring HSST to meet certain pre-certificate requirements prior to granting any certificate of public convenience and necessity.

This type of certificate is needed before Clark County's board of commissioners will issue final permits for the train to operate as a source of public transportation in the Las Vegas Valley.

### FIB offers alternative investment products

First Interstate Bank in Nevada is conducting a two-month statewide promotion of alternative investment products, including the introduction of mutual funds. The bank also is promoting other investment products, including U.S. government securities and municipal bonds.

The "Investment Choices, Choice Investments" promotion was scheduled to run from February 18 through April 15.

"Now is the ideal time for consumers to consider tax-free, tax-deferred and other investments," according to Andrew Studdert, First Interstate's Southern Nevada area president.

First Interstate now makes available a wide range of nationally known mutual funds and the Westcore family of mutual funds. The bank or one of its affiliates acts as financial adviser to each fund. Each of the Westcore funds is sponsored and distributed by ALPS Securities, Inc., an independent broker-dealer.

Money market, fixed-income, equity and tax-exempt mutual funds are made available. The minimum investment is \$1,000 and interest is paid monthly, quarterly or semiannually.

The bank also is making available a wide array of government securities such as Treasury bills, notes and bonds with varying terms and minimum investments. Government securities are direct obligations of the federal government.

Municipal bonds, which generally provide tax-free income, are issued by states,

counties, cities, school districts and other public agencies to finance long-term projects such as schools, hospitals, urban renewal, bridges and roads.

Alternative investment products in the First Interstate promotion are not products or obligations of First Interstate Bank and are not FDIC insured.

### Sierra Health and Admar Group plan joint venture

Sierra Health Services, Inc. (AMEX: SE) and the Admar Group, Inc. (NASDAQ: ADMR) announced they have signed a letter of intent to jointly market their products in California, Texas, Arizona, Colorado, New Mexico, Missouri and Kansas. Sierra will provide the fully insured and partially self-funded managed care group health insurance products, and Admar will supply the preferred provider organizations, utilization management and case management services. The products will be sold through local marketing organizations and third party administrators in the targeted states.

Sierra Health Services, Inc. is a growing health care company headquartered in Las Vegas, comprised of eight subsidiaries, including a health maintenance organization, a life and health insurance company and a managed care administrative services company. It will be those subsidiaries' products that will be sold using the Admar network. Sierra, which currently insures more than 160,000 members, has ongoing operations in Nevada, Arizona, Colorado and New Mexico.

The Admar Group, Inc., headquartered in Santa Ana, Calif., contracts with insurance carriers which agree to market Admar's services and products as an adjunct to their health care benefit plans to employers and their insured employees. Admar's services include PPOs, utilization review and third party administration of claims payments. Currently, they serve more than two million individuals.



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Anthony M. Marlon, M.D., chairman, president and chief executive officer of Sierra Health Services, Inc. and Richard Toral, chairman and chief executive officer of the Admar Group, Inc. stated: "We believe that this new venture is an excellent opportunity for both organizations. This relationship significantly expands Sierra's geographic area of operation and improves the potential for both companies to increase their membership under a managed health care approach to health care financing."

### NFCU reports 1991 record reserves

Nevada Federal Credit Union's total reserves were increased by 20 percent in 1991 to a record high of \$20.2 million. Year-end assets were over \$296 million.

The state's largest credit union reported over \$13.2 million in dividends paid in 1991 and \$207.2 million in outstanding loans to its 64,000-plus member/owners.

"We are gratified and encouraged by

the continued growth of the credit union," said Bradley W. Beal, NFCU president and chief executive officer. "The credit union concept is based on cooperative principles and we continue to operate that way. The growth we have experienced during 1991, both in deposits and in loans, is indicative of the confidence of the members. Further, that same member confidence is encouraging because it signals continued strength and stability for the credit union."

Nevada Federal Credit Union is a not-for-profit cooperative which provides a full line of consumer-oriented financial services to selected employer and associational groups in Nevada. It operates branches in Las Vegas and Reno, and its automated teller machines are a part of several regional and worldwide ATM networks giving members account access at over 50,000 machines worldwide.

A new full service branch was opened in Reno last July providing Northern Nevada members increased convenience and accessibility. Projections for 1992 call for a new full-service branch to be opened on the west side of Las Vegas in the latter part of the year.

### Sun State reports record earnings

Sun State Bank reported record earnings of \$777,759 for 1991, announced President John Dedolph. This represents 1.53 percent return on assets and 19.74 percent return on equity. Assets at year-end totalled \$53,941,771, an increase of 11.20 percent from 1990.

This is the fourth consecutive year of excellent profits, said Dedolph. Also loans increased 22.98 percent during the year, contrary to the trend experienced by most other banks.

Sun State Bank is a 10-year-old locally owned, locally managed "niche" bank which concentrates its efforts on lending to small and medium-sized businesses, professionals and upscale consumers. ♦

# Coordinated Care.



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♦ Health Plan of Nevada. It works the way health care should work.



HEALTH PLAN OF NEVADA<sup>SM</sup>  
A member of Sierra Health Services

# business indicators & analysis

**+** The nation's recession continued through the last quarter of 1991. Unemployment rates in 1991 remain above historical average levels. The U.S. unemployment rate was 6.8 percent on a seasonally adjusted basis in November, 1991. Nevada's rate is 1.1 percent lower. On the other hand, the northeastern states, having faced a three-year decline, have unemployment rates noticeably above the national rate.

Conditions in Nevada have been better than most other states. Nevertheless, Nevada's unemployment rate (5.7 percent) remains above year-ago levels. Although likely to be a short-term improvement, Reno's unemployment rate declined from last year. On the other hand, Las Vegas, which enjoyed rapid growth in recent years, is now experiencing a larger unemployment rate than Reno.

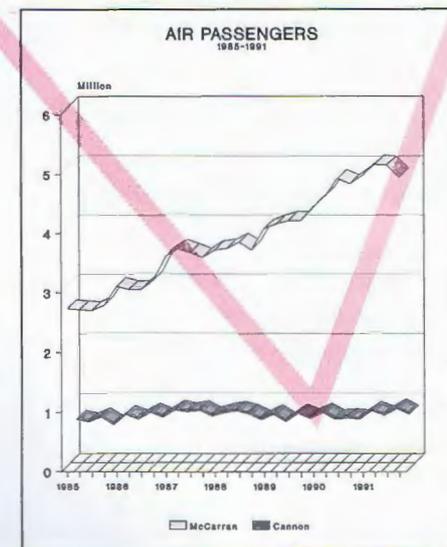
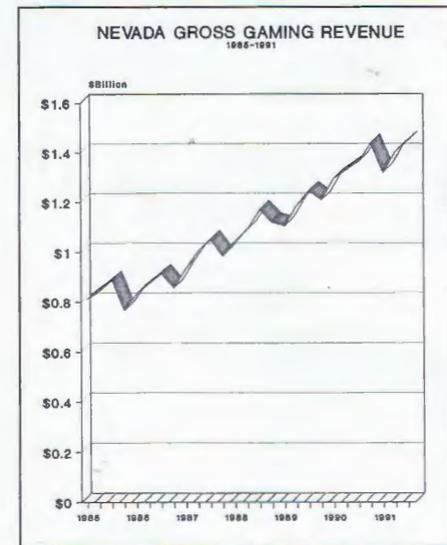
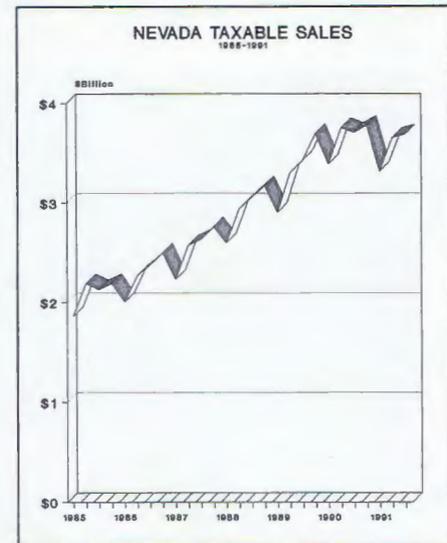
The announcement of the largest one-time decline in gaming revenue from year ago levels for October, 1991 sent a shock wave through the gaming community statewide. But, this one-month decline reflected a host of special situations, making the comparison questionable. Furthermore, visitor volume continues to grow, albeit by a small percentage. Also, the passenger volume at both McCarran and Cannon is up. And more important, 1991 annual total gaming revenue is likely to be above the 1990 level.

Increasing imports and establishing foreign manufacturing in the U.S. have prompted some U.S. plant closings. As a result, prospects for future U.S. growth remain uncertain. And when many expected an economic recovery to get under way, an uneasiness about future employment opportunities swept the nation.

Last fall, major American corporations announced plans to further reduce workforces in the months ahead. Among those making announcements was General Motors, a recognized symbol of American manufacturing. Since 1986, when the U.S. automotive industry saw a jump in its excess capacity to 19 percent, many U.S. plant closings have occurred. Now, in the face of a national recession another round of structural shifts are occurring. Again, displaced workers will bear the brunt. Furthermore, others are also likely to be adversely influenced. Many are uncertain about the future and are spending less. As a result, this uncertainty will slow the economic recovery.

To stimulate the nation's economy, the Federal Reserve has worked to lower interest rates. Persons and businesses who depend on interest income will now be earning less, for example, senior households. But for many, the lowering of interest rates is a welcome event. With a lower cost of borrowing, the Fed hopes that more businesses and households will start spending. Interest rates have dropped to levels that have not been seen for some time. Indicative of the changes that have been underway is the decline in the three-month treasury bill. As of December 1991, the rate was at 4.12 percent. Other longer-term interest rates will follow short-term interest rates downward. Thus, as we enter 1992, attention focuses on the effectiveness of monetary policies to generate economic expansion and trade policies to generate a more competitive business environment.

*R. Keith Schwer, UNLV Center for Business & Economic Research*



	DATE	UNITS	LATEST PERIOD	PREVIOUS PERIOD	YEAR AGO	CHANGE YR AGO
<b>UNEMPLOYMENT</b>						
Nevada	Nov, 1991	seasonally adj.	5.7	5.6	5.4	3.70%
Las Vegas	Nov, 1991	seasonally adj.	6.0	5.9	5.5	7.27%
Reno	Nov, 1991	seasonally adj.	5.0	5.0	5.1	-1.96%
U.S.	Nov, 1991	seasonally adj.	6.8	6.8	5.9	15.25%
<b>RETAIL ACTIVITY</b>						
Nevada Taxable Sales	Nov, 1991	\$ thousand	1,176,614	1,156,451	1,168,224	0.72%
Clark County	Nov, 1991	\$ thousand	690,476	678,561	687,933	0.37%
Washoe County	Nov, 1991	\$ thousand	218,816	211,984	219,702	-0.40%
U.S. Retail Sales	Nov, 1991	\$ million	153,109	152,687	152,538	0.37%
<b>GROSS GAMING REVENUE</b>						
Nevada	Nov, 1991	\$ thousand	457,972	475,910	461,813	-0.83%
Clark County	Nov, 1991	\$ thousand	349,146	356,286	351,336	-0.62%
Washoe County	Nov, 1991	\$ thousand	68,569	75,082	69,049	-0.70%
<b>CONSTRUCTION ACTIVITY</b>						
Las Vegas Area						
New Residences	4th qtr 1991	# permits	3,925	2,424	2,461	59.49%
New Commercial Permits	4th qtr 1991	# permits	150	227	125	20.00%
Reno Area						
New Residences	2nd qtr 1991	# permits	484	231	589	-17.83%
New Commercial Permits	2nd qtr 1991	# permits	53	43	39	35.90%
U.S.						
Housing Starts	Nov, 1991	thousand	1,066	1,089	1,130	-5.66%
Total Construction	Nov, 1991	\$ billion	406.3	409.4	431.4	-5.82%
<b>HOUSING SALES</b>						
Las Vegas Area						
Average Sales Price <sup>(1)</sup>	3rd qtr 1991	\$	112,216	142,814	131,242	-14.50%
Average Cost/Square Foot	3rd qtr 1991	\$ per sq. ft.	67.45	76.38	76.66	-12.01%
Average Mortgage Rate <sup>(2)</sup>	3rd qtr 1991	%	9.68	10.16	9.45	2.43%
Washoe County						
Average Sales Price <sup>(1)</sup>	2nd qtr 1991	\$	167,666	144,078	149,403	12.22%
Average Cost/Square Foot	2nd qtr 1991	\$ per sq. ft.	88.14	76.12	77.82	13.26%
Average Mortgage Rate <sup>(2)</sup>	2nd qtr 1991	%	9.40	9.80	10.50	-10.48%
U.S. Home Sales	Nov, 1991	thousand	520	520	480	8.33%
<b>TRANSPORTATION</b>						
Total Passengers <sup>(3)</sup>						
McCarran Airport, LV	4th qtr 1991	passengers	4,950,982	5,155,456	4,840,877	2.27%
Cannon Airport, Reno	4th qtr 1991	passengers	817,194	912,420	738,331	10.68%
State Taxable Gasoline Sales	Oct, 1991	thousand gal.	58,058	54,789	53,384	8.76%
<b>POPULATION ESTIMATES</b>						
Nevada	July 1, 91	people	1,296,360		1,236,990	4.80%
Clark County	July 1, 91	people	817,450		770,280	6.12%
Washoe County	July 1, 91	people	262,900		257,120	2.25%
<b>NATIONAL ECONOMY</b>						
Consumer Price Index <sup>(4)</sup>	Nov, 1991	1982-84=100	137.8	137.2	133.8	2.99%
Money Supply — M1	Nov, 1991	\$ billion	890.3	879.0	823.3	8.14%
Prime Rate	Nov, 1991	%	7.5	8.0	10.0	-25.00%
Three-Month U.S. T-Bill	Nov, 1991	%	4.12	4.6	6.81	-39.50%
Gross National Product	3rd qtr 1991	\$ billion	5,709.2	5,652.6	5,570.5	2.49%

NOTES: (1) houses, condos, townhouses; (2) 30 yr. FHA; (3) enplaned/deplaned passengers; (4) all urban consumers

SOURCES: Nevada Dept. of Taxation; Nevada Employment Security Dept.; UNLV, Center for Business and Economic Research; UNR, Bureau of Business and Economic Research; US Dept. of Commerce; US Federal Reserve.

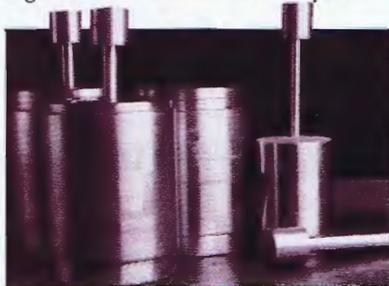
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