Nevada Business *Journal*

Nevada's Only Statewide Business Magazine

AUGUST 1988
$2.25

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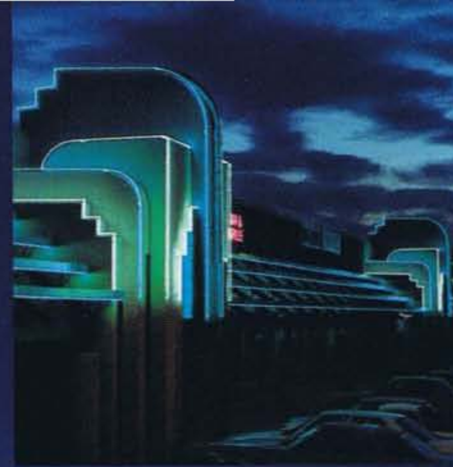

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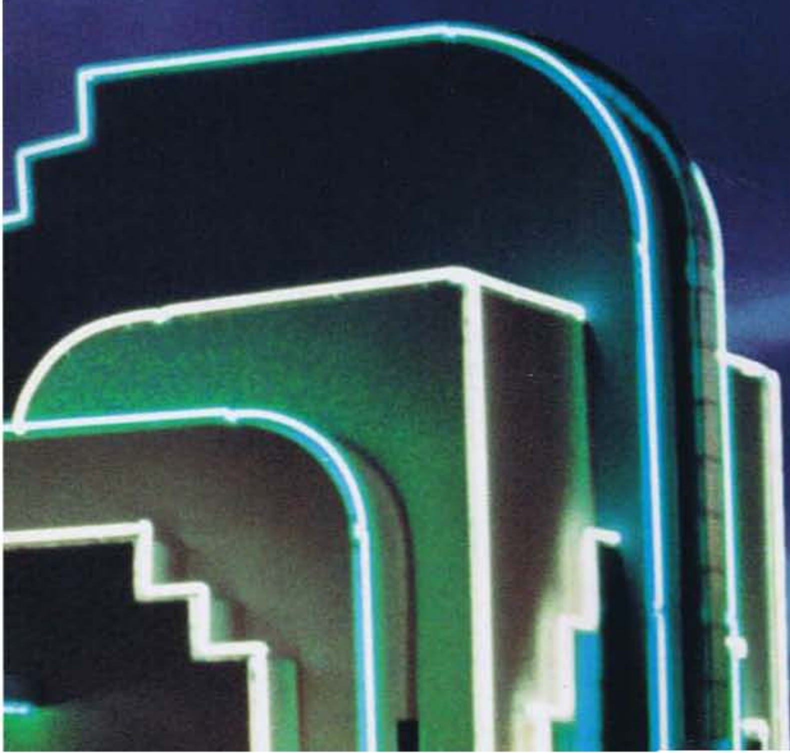

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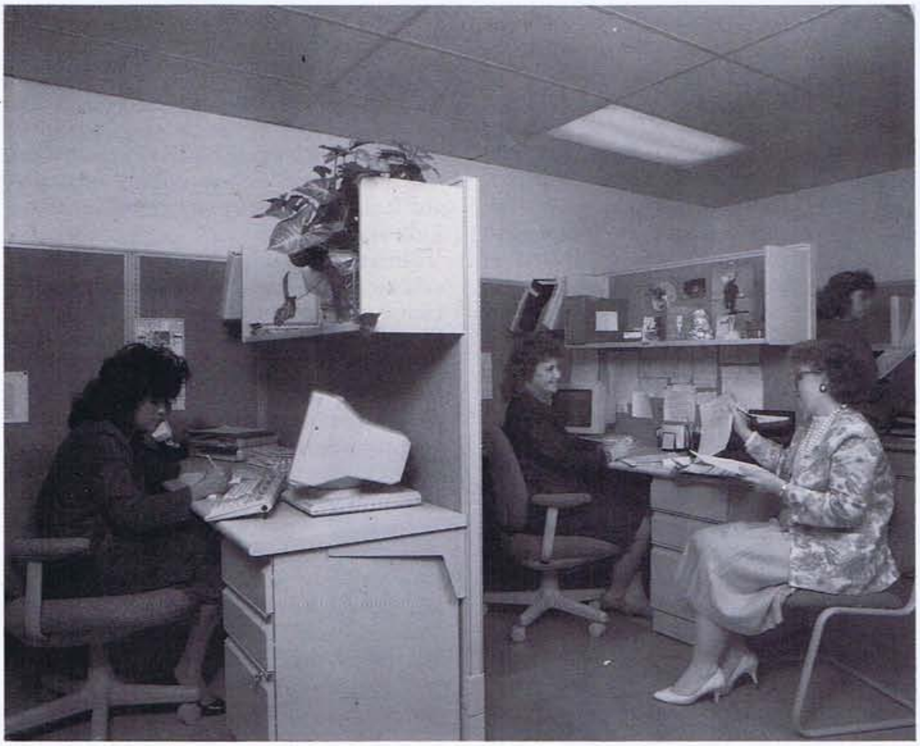
RENO MAGAZINE

MANAGED CARE:
Can Escalating Health Care Costs Be Curtailed?



involve as many as 180,000 medically uninsured people.

"I think the issues relating to the uninsured population are a serious political problem that really has not been addressed," Marlon states. "Senator Ted Kennedy, on a national level, has proposed legislation similar to that of Massachusetts which recently mandated that every employer, regardless of size, must provide health insurance coverage. Whether there will be federal legislation to address this problem is not really clear at this time.

"There's an awful lot of opposition against it. On the one hand, the larger employers feel that they simply have nothing to lose by mandating these benefits for the smaller employers. Another concern relates to people who have no resources when they are hospitalized and who, eventually, may become wards of the state or become the bad debt for the local hospital. "Hospitals then shift the costs to recover their losses from the paying patients," he explains.

So, there's conflict inside the business community between the large and small employers.

The health care industry has reservations about the Medicare Catastrophic Act, too. The Act limits the Medicare patients hospital deductibles to one per year and caps their out-of-pocket costs on allowable expenses at $564 in 1989, a figure that rises with inflation in later years. Previous to this, beyond 59 days in the hospital, the Medicare beneficiary was in part or fully liable for those hospital days. Under this act, they have unlimited hospitalization with a maximum out-of-pocket expense of only $564 in 1989.

They also put limits on out-of-pocket physician costs (the 20 percent co-insurance) to a cap of $1,370 on physician costs starting in 1990, and they have phased in a program of prescription drug benefits with a high deductible and a significant co-insurance program due to begin in 1991.

"I think it's important to understand that there are approximately 30 million Medicare beneficiaries," Dr. Marlon points out. "This new Catastrophic Act will only affect between 600,000 and 700,000 of those beneficiaries, at most.

"Although they've done a projected cost analysis, if one looks back on the history of such cost analyses, one needs to double the estimates to come closer to the reality. It is going to be an expensive program. It really only affects a small minority of the Medicare beneficiaries and people need to understand that."

Looking at all these things, Nevadans can anticipate that what they're going to be paying, in constant dollars, for health care by the year 1995 or 2000 (if costs continue to go the way they are) is ten to 40 percent more each year.

Dr. Marlon notes, "The average increase this past year has been 22 percent and, if you look at what the average person pays for health insurance as a single, which nationally is about $80 monthly, and for family coverage, approximately $225, my personal prediction is that, within five to seven years, those figures will double. Unfortunately, I'm not the only one who has made that prediction.

"I also predict that as these costs go up, insurance is going to become harder to get for smaller groups," Marlon continues. "individuals will be almost impossible to insure because of the potentially higher risks associated with them.

"You will see companies reducing benefits in an attempt to control these costs, clearly the fastest growing line item in their business. A company like Sierra Health Services, which has survived some of this turmoil, will meet the challenge in a variety of ways over the next several years."

What can Nevadans expect to see from Sierra Health Services? According to Dr. Marlon, they'll be offering new products and new benefit designs to fill various market niches. Companies like this one will vertically integrate. They'll hire more physicians and own facilities rather than trying to rely on unreliable partners.

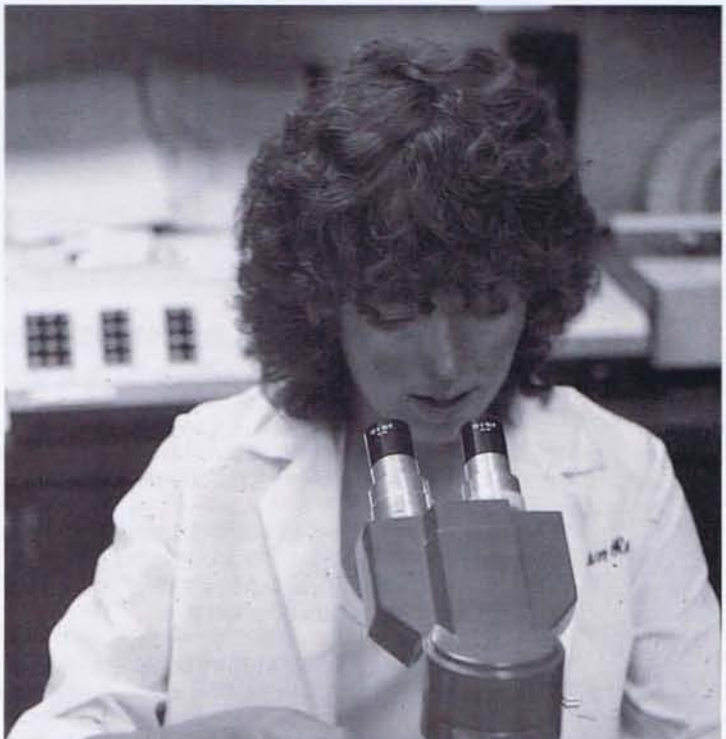
"We must look carefully at any new business opportunity and it must fit our strategic plan," he states. "Ultimately, for a public company like ours, it must show a return to its investors.

"The bottom line for all Nevadans," Dr. Marlon says, "is cost containment and quality health care. At Sierra Health Services, we're working hard to see that Health Plan of Nevada delivers quality for the least possible cost."

"Managed Care"

A Key to Health Cost Savings

by Sherry Sternberg



Between 1960 and 1984, health care costs have doubled as a percentage of the nation's gross national product, rising from 5.8 to 10.7 percent. Local, state and national leaders, and often campaign candidates, continue to tell the public that the rising cost for health care is foremost in the minds of their constituents. Everyone agrees that something must be done about skyrocketing health care costs but few agree on the methodology. Here's where Health Maintenance Organizations (HMOs) enter the picture.

"Health Maintenance Organization" is a term coined in the 1970s to describe "prepaid medical plans." In 1929, the Ross-Loos Clinic established the Ross-Loos Medical Prepaid Health Plan in Los Angeles. In the 1940s, Kaiser Industries started the Kaiser-Permanente Health Plan. So much for new ideas.

Dr. Anthony Marlon is president and chief executive officer of Sierra Health Services (SHS), the parent corporation for Health Plan of Nevada (HPN), the state's oldest and largest HMO. According to Dr. Marlon, SHS has more than 115,000 Nevada insureds within its various programs.

"Within the health care industry, Sierra Health Services is viewed as a small, regional company. In Nevada, however, we are a major player since we are three or four times larger than the next largest health care insurer," Dr. Marlon states. "Our organization is vitally concerned with health care costs both at home and across the nation."

If rising health care costs are a major concern for all Americans, they are an overriding consideration with Dr. Marlon. "William Roper from the Health Care Financing Administration," Marlon tells us, "was quoted in the June 3, 1988 issue of the AMA's *American Medical News* as saying that physician costs in Medicare are 'out of control.' Our staff heard a futurist speak several months ago, predicting that, by the year 2000, we would be spending up to 20 percent of the gross national product (GNP) on health care. The GNP, annualized, is currently $4.5 trillion. Eleven percent of that is $5 billion," he points out. "By comparison, we spend $3 billion on the entire defense budget."

Health care is clearly one of the largest industries in this country and there doesn't seem to be any capability to control the ever-rising cost within it. Or is there?

Dr. Marlon thinks the answer, to a large extent, depends upon what he chooses to term, "managed care." People who read and hear the phrase "managed care" spend an exorbitant amount of time trying to decide what it means. Dr. Marlon defines it as "accountability, and that doesn't mean the other guy. A system of managed care holds the provider, the insurer and the patient accountable for those portions of the health care equation that they each control.

"It demands from the provider that the services delivered be of the highest quality and that they are appropriate and necessary," Marlon explains, "and that the physician's bill for the service is fair and reasonable. It holds the insurer accountable for determining that he only pays for services that are medically necessary, fair and

reasonable. It also demands from the patient that he be informed that more is not better, that he become a wise purchaser of health care."

Like all Americans, Nevadans have never had as broad a spectrum of health care options as they do today. Both ends of the spectrum are represented by a wide-open, free-access indemnity system and the HMO system. In the middle there are various forms of managed care called "Preferred Provider Organizations (PPOs).

An HMO also manages the care its members receive in a number of ways which include designating the number and kinds of doctors available. The HMO contracts with doctors from the community and members select from within the participating physicians group. Typically, benefits are the richest inside the HMO system. Indemnity packages, layered with deductibles and co-insurance payments, frequently do not cover certain kinds of preventive care, but they do afford the patient the widest choice of providers.

The elements of a "managed care" system most often include:

• Provider contracts wherein the health care professional agrees to provide only medically necessary services to enrolled members. The provider may be paid a capitation, which is a fixed payment made per member per month, or a fee for each service, based on an agreed payment schedule. Most often, it includes a "balanced billing" provision, prohibiting the provider from billing the patient for more than what the managed care program determines as reasonable.

• Prior authorization is required for any in-hospital stay, diagnostic testing, such as CAT scans and MRIs, as well as for in-patient and outpatient surgeries. Considering that $30 billion is spent on diagnostic tests each year and, according to Blue Cross-Blue Shield and the American College of Physicians, up to 60 percent of those were unnecessary, there would appear to be every reason to support the practice of prior authorization.

• Concurrent, ongoing re-view and quality assurance reviews in-patient hospital stays. It assures that, while the patient is in the hospital, he is receiving necessary care and that it is of the highest possible quality.

• Claims adjudication means that the insurer looks at each claim to ensure that the service which is being bilied is, in fact, what was authorized, necessary and appropriate. It also prevents a practice known in the industry as "up-coding."

"In addition to the rising costs of medical care, there's another social issue that's facing us as we move forward," Dr. Marlon states. "A number I've read suggests that there are 37 million people in the United States who fell through the safety nets and who are uninsured. They have no health care coverage through their employment and they are not covered by any of the public programs such as Medicare or Medicaid.

"These people may, in fact, be gainfully employed but work for small companies who do not provide health care insurance. Unfortunately, these same people are finding it very difficult and very expensive to purchase individual policies. Consequently, they often do not.

"If they do get ill, they become wards of the state or city or county in which they reside. The question really is, how do we approach this significant segment of the population if you anticipate that we have in this country 230 to 250 million people? This is 17 or 18 percent of the total population, not an insignificant number," Marlon emphasizes.

"If you use the national average of 18 percent and there's nothing to indicate that Nevada is different from any other state in this regard, Nevada's problem may

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The Nevada Business Journal is listed in Standard Rates and Data, #20A-Business-Metro, State and Regional.

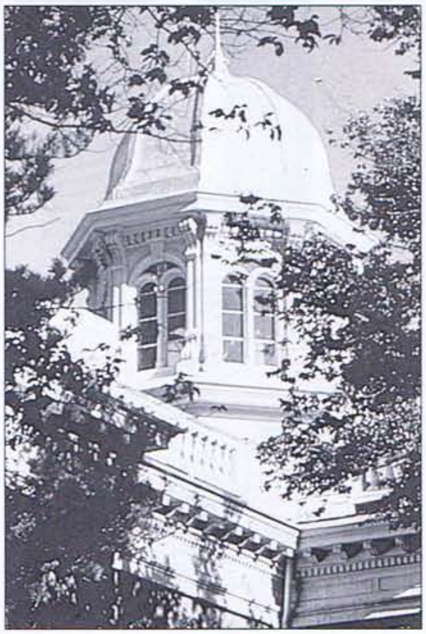
Advertisers should contact Chuck Dandy at (702) 735-7003, or write to: **The Nevada Business Journal**, First Interstate Tower, Suite 120, 3800 Howard Hughes Pkwy, Las Vegas, Nevada 89109. Demographic information is available upon request.

The Nevada Business Journal is published by Associated Magazines Publisher (AMP), First Interstate Tower, Suite 120, 3800 Howard Hughes Pkwy, Las Vegas, Nevada 89109. **NBJ** is published monthly, bulk postage paid. Subscription rate is $27.00 per year. Newsstand price is $2.25 and special order single copy price $4.00.

CHANGE OF ADDRESS: Six weeks advance notice, previous address or mailing label, and new address required.

EDITORIAL SUBMISSIONS: Address all submissions to the attention of Jocelyn Conti. Unsolicited manuscripts must be accompanied by a self-addressed stamped envelope. **NBJ** assumes no responsibility for unsolicited materials.

The Silver Dome



Panel recommends continued monitoring of franchises

An interim study panel wants lawmakers to continue their oversight of franchises and service stations owned by major oil companies, a provision that was the focus of extensive discussion during the 1987 Legislature.

But the subcommittee is taking no position on whether to repeal an anti-monopoly law aimed at Atlantic Richfield and passed in 1987.

The law was sought by independent service station operators who alleged oil companies such as ARCO were charging below-market prices to force out the independents.

The subcommittee chaired by Sen. Randolph Townsend, R-Reno, said the continued oversight is needed "to maintain the best possible business atmosphere for the customer."

But Townsend says he received no support for a motion on the anti-monopoly law that would have stated the law was inequitable and should be changed.

The law had been viewed as unconstitutional by ARCO, which was required to sell 15 of its thirty company-owned stations. And any major company is prohibited from opening new retail gasoline stations after July, 1989.

Townsend thinks the law should either be erased to allow for an open market or should be revised to get rid of its inequities.

He expects ARCO will support repeal of the law while other big oil companies will argue they have been put at an economic disadvantage and will press for fair and equal treatment. The subcommitttee also suggested continued oversight of franchise agreements and the relationships between people who buy franchises from companies such as Southland which has the 7-11 convenience store chain operation.

There was debate during the 1987 session over alleged unfair treatment of people who have 7-11 franchises by Southland, but Townsend says that appears to have changed.

"The subcommittee was extremely impressed by the professional manner in which they are negotiating new contracts," he says of Southland. As a result of what they did, which was to come to considerable compromise on both sides, we would recommend monitoring them but see no need for new legislation."

The subcommitee also took no position on possible legislation affecting the cable television industry or liquor franchises.

"We got no pressure from either industry," said Townsend. "And as a result of our committee being very familiar with both issues, we felt they're both best left as they are."

Occupational education studied by legislative panel

A legislative study panel on occupational education wants the 1989 Legislature to appropriate just over $2 million of the $8.5 million in yearly costs for such courses incurred by Nevada's school districts.

"One of the biggest problems the local districts have is that occupational education costs more than academic education because of class sizes and equipment costs," says Assemblyman Jack Jeffrey, chairman of the study subcommittee.

Jeffrey, D-Henderson, adds that when a school principal is trying to bring a budget into the black, occupational education classes get cut first. His interim subcommittee's recommendation is that 25 percent of the costs that school districts incur in maintaining such classes be picked up by a special legislative appropriation.

The panel also is suggesting that classes in home and career skills and an introduction to technology be initiated in the seventh or eighth grades in Nevada schools. "Some schools are doing similar things now, but we want it to be mandatory," said Jeffrey.

The panel is also recommending that certain occupational education classes be considered good for academic credits in high school, and also be accepted by the University of Nevada.

Also suggested by the subcommittee was a long-term proposal for comprehensive guidance and counseling in the public schools that would focus in part on occupational education.

"Occupational education is hard to sell," Jeffrey says. "Everyone wants their kid to go to college. They say, 'Occupational education is fine for your kid but not mine.' But people need to realize that the percentage of college-bound students is really small."

Tuberculosis breaks out in Nevada nursing homes

Nevada's nursing home industry is getting closer scrutiny from the state Health Division as a result of a recent tuberculosis outbreak at a rest home in Elko.

The outbreak was the first serious problem involving TB in Nevada in twenty-five years, and the first of its sort in a nursing home anywhere in the U.S. in recent years.

State Health Division chief Larry Matheis says the incident resulted in a policy change to ensure that the state follows up on its own to verify that rest home operators take proper corrective steps when such infections develop.

In the recent case at Ruby Mountains Manor, more than forty residents and employees showed signs of TB infections and four cases were treated as confirmed TB.

The spread of the disease was due in part to failure by the nursing home to take immediate steps to stop its spread. At the same time, the state didn't make an immediate reinspection and assumed that the rest home operators were taking all the necessary steps.

Matheis says one problem for the state and the rest home operators was that TB hasn't been a problem for years, and various rules on TB tests didn't have a high priority.

He says the upgraded scrutiny is necessary because tuberculosis appears to be on the rise throughout the nation and can no longer be viewed as a disease that is fully under control.

Unemployment benefits increase

Nevada's maximum weekly unemployment insurance checks have gone up seven dollars to $184 for new claimants, according to Employment Security Director Stan Jones.

The new maximum benefit is half the average weekly wage for 1987. The Employment Security Department derived the figure from Nevada employers reporting wage and salary payout excluding tip income.

The average weekly wage in 1987 was $369, based on total wages of $9.34 billion paid to 486,798 workers covered by the state unemployment insurance system.

The maximum rate for unemployment benefits is calculated annually in line with Nevada law. The benefits go to claimants out of work through no fault of their own while they look for new jobs.

Unemployment insurance benefits are paid out of a fund supported by Nevada employers and are based on factors including conditions of job loss, amount of salary earned, length of time employed and most recent employment.

The amount of weekly benefits can vary from a low of sixteen dollars up to the maximum, paid for up to 26 weeks. The current average check is about $143. and the average UI recipient is out of work for 12 1/2 weeks.

McKay releases opinion on new legislation regulating collection agencies

Attorney General Brian McKay has released an opinion saying the 1987 Legislature intended to protect rights of businesses which utilize collection agencies in amending laws governing the agencies.

Under the law as amended, collection agencies are required to have a signed contract with each customer. Deputy Attorney General Doug Walther says he was asked to write his opinion on the significance of the amendments after a dispute arose over the "ownership" of a court judgement in such cases.

The opinion, requested by the state Financial Institutions Division, states that even though a judgement received by a collection agency may bear the name of the agency, the agency doesn't "own" the judgement.

The opinion further states that customers of collection agencies have the right to have returned to them claims that had been previously assigned or transferred to the agency.

"The collection agent has a duty to account for any funds or property coming into his possession," Walther says. "And even though an agency may receive a percentage of the judgment for its services, this does not entitle the agency to ownership of the judgment or automatically grant the agency permission to withhold the judgement from the client."

Investments keep SIIS rate increase down

An expected return of nine percent to ten percent in the just-ended fiscal year on State Industrial Insurance System investments was not enough to halt an increase in rates paid by Nevada businesses for SIIS coverage.

Without the good performance of the $600 million investment portfolio, SIIS chief Laury Lewis says about 35,000 employers would have faced an even higher increase than the average 14 percent boost that took effect in July.

SIIS investments have averaged a 12 percent gain between 1983 and 1987, which had helped to offset any rate increase until now. The slightly lower return in the fiscal year that ended in June resulted in part from the stock market tumble last October.

However, Lewis says the SIIS portfolio came through the stock market crash unscathed. SIIS has most of its assets in bonds, which have a stable return and low risk..

Lewis also says investment managers used options to protect SIIS stocks against severe losses. In comparison with similar portfolios owned by insurance companies and banks, he says SIIS ranks in the top three percent over the past seven years.

And when management of the SIIS bond fund is considered separately, Lewis says the consulting firm of Mercer-Meidinger-Hansen Inc. has ranked SIIS in the top 1 percent.

SIIS bond holdings are managed by Duff and Phelps Investment Management of Chicago. Bond holdings total about $410 million. The financial reserves are necessary to pay the claims of long-term disabilities and catastrophic losses.

DEPARTMENT OF MINERALS

Nevada's New Gold Mines — Black and Wet

by Val Burnett

Nevada's latest industries have so many similarities, it's hard to separate the two.

Petroleum and steam are surfacing from their beds of limestone, sandstone, and shale. And while it may be true that oil and water don't mix, the search for, and production of, both petroleum and geothermal resources takes place in almost the same locations, using the same equipment and extracted from geologic formations millions of years old.

Recent demand for both products has become so great that many oil and geothermal companies are now sending their geologists into the desert in search of the richest deposits. It is clear that Nevada will move into the 21st century with major discoveries in both fields.

The land that holds these fluid reservoirs are also called "fields". Seven such fields have been found in Nevada, and the search is on for others.

Since the two products lose all similarity after leaving the ground, let's start with a brief history of Nevada's petroleum industry.

It was back before the turn of the century, when oil was known to exist in Nevada. One man responsible for its discovery was a geologist employed by a mining company in Tuscarora. In 1890, Robert Catlin accidentally learned of the existence of shale in the mountains south of Elko. After buying the land containing the best test results, he — for unknown reasons — left the area and did not return until 1912. He soon had a mine, laboratory, plant and mill. Then came World War I. With the increased need for fuel, the town's mining activity rose until Elko was heralded as the new oil capital of the world.

Unfortunately, it was not to be. The technology was still in its infancy, and Catlin could never produce a motor oil that would not thicken into sludge when cold weather set in.

Meanwhile, over in Washoe County, a dry hole was drilled in 1907, then, jumping along to 1954, Shell Oil drilled the first commercial well in Eagle Springs. That same year saw the beginning of regulations with a permit required for each excavation. Since then, 507 permits have been issued with 49 wells currently producing. Of those 49 wells, there are an average of 36 on continuous production.

South of Carlin, in Eureka County, the Blackburn field has been in operation since 1982.

Nye County's Railroad Valley is a petroleum hot spot with producing wells in Trap Springs, Bacon Flat, Grant Canyon, the already mentioned, Eagle Springs, and the latest one, Taylor Federal #1 at Kate Springs. That one recently tested at more than 100 barrels an hour (at 42 gallons per barrel) and has created widespread interest.

One of the largest free-flowing onshore wells in the lower 48 states is Grant Canyon #3. Put on production some five years ago, it continuously flows at a rate of 2,000 barrels per day. It too, has stirred the industry.

Also new in Pine Valley is Dixie Operating's well #1-5. This particular well has the distinction of being Nevada's first producer on non-federal land.

Amoco is the only major oil company operating in Nevada, with independents making up the balance of the 49 currently-producing wells — Apache Oil, Makoil Co., Draycutt Corp., Chadco Corp., Dixie Operating, and Mike Evans, Operator.

Two refineries, one in Tonopah and one in Currant, have a maximum capacity of processing 4,500 barrels a day. Combined, they are at the present time processing 6,000 barrels daily. Outside of the Blackburn field and the Pine Valley well, which ships their oil to Salt Lake City for refining, all wells are using the two Nevada refineries, where tankers (not pipelines) deliver the crude.

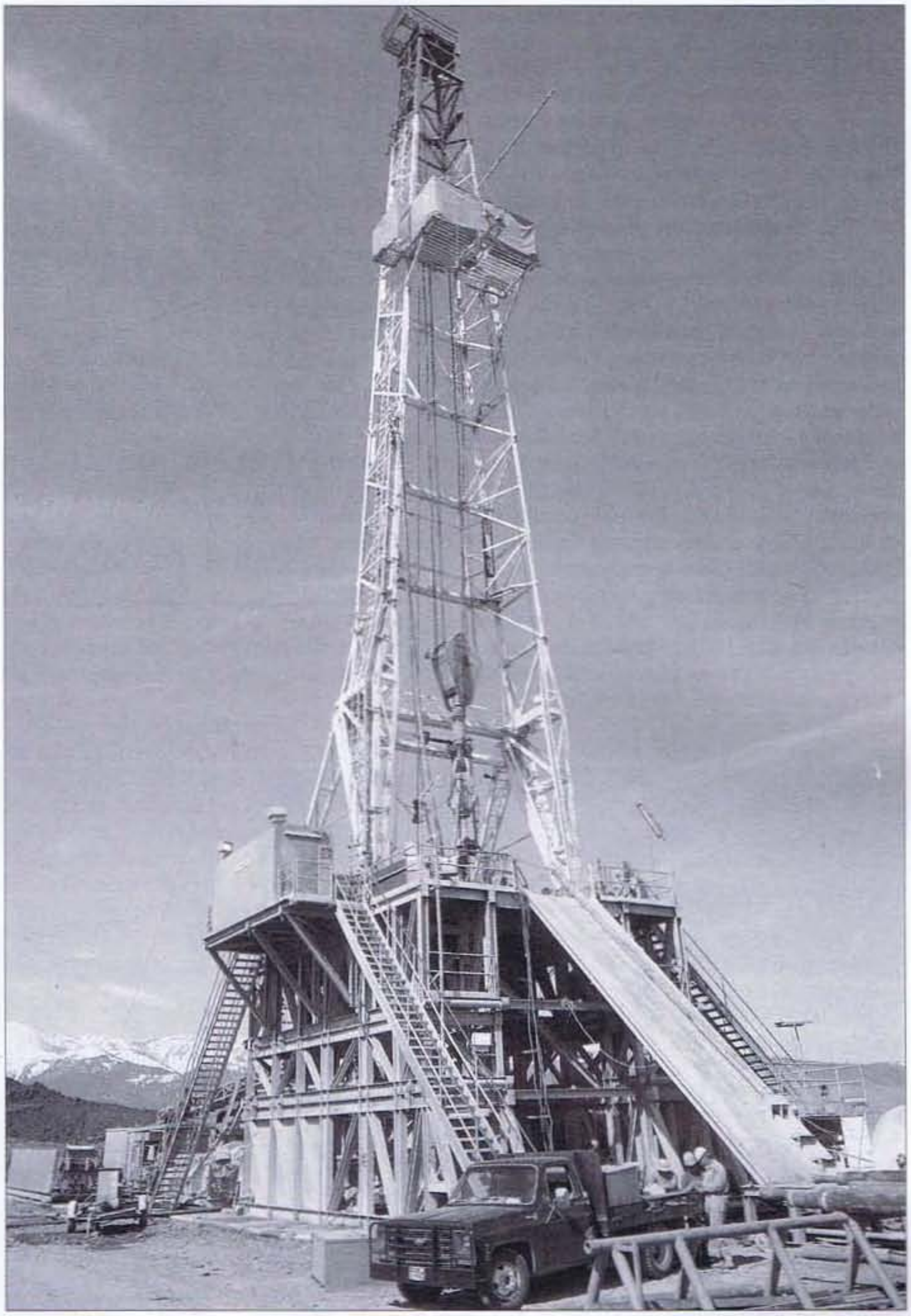
In total, the state's annual oil production is more than 3,000,000 barrels of crude with an average gravity of 24.0 degrees, much heavier than the lighter-weight oil found in Texas, California or Oklahoma.

By-products of Nevada crude are many: stove oil, naptha, kerosene, wax, petroleum jelly, carbon black, diesel and asphalt.

With all the known wealth beneath us, it still isn't easy to find the right location. Just as in the search for geothermal resources, there are several methods being used to locate petroleum deposits. The one favored by some geologists is the seismic test. Explosives are discharged, sending sound waves into the earth, then, an analysis shows where waves bounce off strata, indicating deposits.

A Carson City geologist — Bill Ehni of Ehni Enterprises, Inc., — frequently uses a different approach due to the high volcanic content of Nevada ground. "Magnetotellurics is simpler to use than seismic," he says. "Because of the electric current caused by the earth's fluctuating magnetic field, magnetotelluric testing measures the magnetic and electric fields and, subsequently, highlights possible deposits."

(Before you think that all one has to do to find oil is to start blasting or using technical equipment, specialized aerial photography has already found the promising target where the geologist begins his testing.)



An oil drilling rig. DEPARTMENT OF MINERALS

After a positive test response, the next step causes a lot of crossed fingers and held breaths. Because of the identical soundings of reservoirs of steam/hot water and those containing oil, the oil company sinks a test well and hopes for oil. The geothermal company, likewise, hopes for steam. If all goes as planned, the drilling contractor removes his rig and a production unit is put in place. The "grasshoppers" — pumping units — commonly seen in Texas, now dot the Nevada desert.

But once field has been found, another problem exists. Under normal methods, only 30 percent of the oil can be extracted. At present, no existing methods can remove all the oil from its reservoir.

Over the years, bringing the oil to the surface has changed, too. The old cable tool rigs used to pound a hole and, when the bit hit an oil and gas zone, up came a "gusher." Modern drilling methods now use a rotary drill covered with "mud" — a compound that fills the hole as it is drilled. In addition, drilling rigs are fitted with safety equipment to prevent blowouts (the deadly runaway spewing of either steam or oil). This equipment is inspected carefully by the Department of Minerals and the Bureau of Land Management.

Dick Whiting, Resource Engineer with the Department, explains, "In Nevada, oil flows naturally upward in some wells, while other producing wells use mechanical means, such as the pumping units. In all of them — flowing or pumping — oil flows through the wellhead assembly, commonly known in the industry as a 'Christmas Tree'. Through the tree, into a flow line, into treating vessels that remove impurities, the oil finally reaches either a stock, holding, or shipping tank. From these tanks the Nevada crude is ready for shipment to a refinery for processing."

Since Nevada oil is found at a depth of anywhere from 2,100 to 7,500 feet, and as it is initially found by either ground seepage, aerial photography, or seismic and magnetotellurgic tests, it is a gamble for any company to contemplate. But gambling they are, both for petroleum and geothermal resources.

Although geothermal by-products are less varied than petroleum, they still hold great value for industries and homeowners, alike.

This industry's start can be traced back more than a century. At one site, shortly after the Comstock period began, mine owners and their families luxuriated in mud baths beside hot pools of water at an area twelve miles south of Reno called Steamboat Springs.

Perhaps, too, traveling Paiutes paused and shook their heads at the sight of steaming water oozing through cracks in the earth and steam vents shooting 100 feet into the air.

At first, the Virginia City visitors only drank the water with the sulphur taste. They swore their aches and pains vanished. Men whispered about its aphrodisiacal powers. Women complained less over aching joints.

In the 1860s, people carried jugs and strapped barrels to wagons in order to carry home a few more drinks. The heyday of the medicinal resorts at Steamboat Springs lasted more than 40 years, with the help of a spur run in by the Virginia & Truckee Railroad from Virginia City.

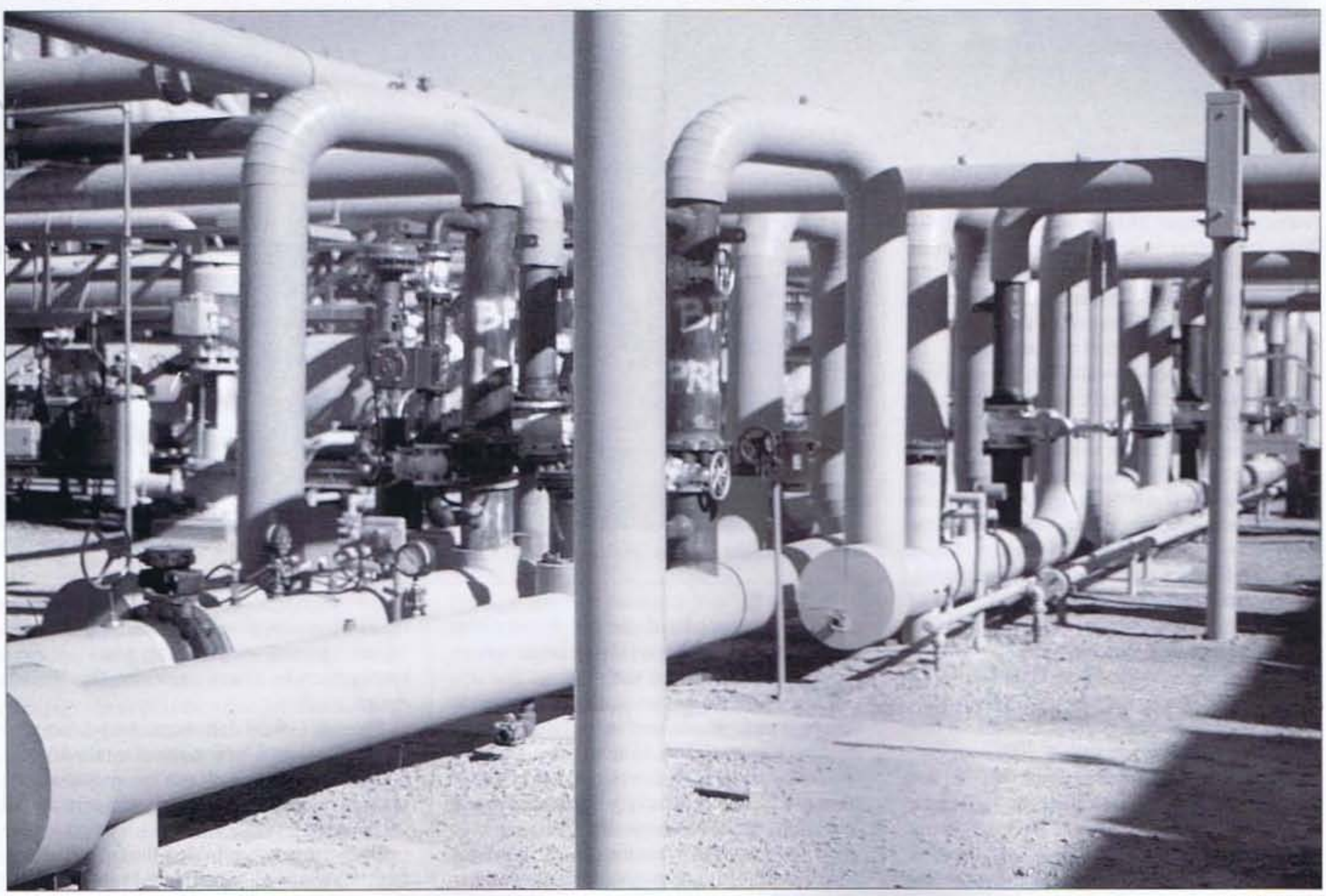
Eventually, visitors stopped seeking help from the waters. The resorts closed, followed quickly by stores, saloons, the hospital, until even the post office closed its doors. Two major wars transpired, and once again, mining took precedence over bubbling hot water.

Nevada's entry into geothermal production actually began with a tentative step in the 1930s by a homeowner in the Moana Springs area of Reno. He was surprised to get hot water when he had been drilling for cold.

Now, in the 1980s, drilling rigs squat between the sagebrush, drilling for that same hot water, very close to the site where spas used to stand. Although all traces of the luxury resorts have disappeared from there, any driver on highway 395 to Carson City can see Nevada's latest skyscrapers — geothermal drilling rigs built by Caithness Power Company — rising above the desert skyline.

Below the drilling rig presently atop Steamboat Hills, Ormat, Inc., operates an energy plant beside the highway. In the Moana Hot

Geothermal generators at Ormat, Inc.'s plant at Steamboat Springs. Pipes carrying geothermal fluids are curved to allow for expansion.



VAL BURNETT

Springs section of Reno, more than 200 homes are heated with that same geothermal energy that early pioneers sought for relief of aching muscles. Private homes are not the only beneficiaries of this geothermal bonanza. Two casinos, a large nursery and assorted businesses have also tapped its potential. Surprisingly, to many people unaware of Nevada's geothermal wealth, even the recently enlarged Peppermill Inn/Casino is heated entirely by underground springs.

Geothermal energy is refreshingly simple to understand and appreciate if one fears the need for increased energy sources can only come from giant nuclear reactors. Its simplicity goes hand-in-hand with the knowledge that it is not only cheap energy, but it is safe energy.

First, a well is drilled, then a pump delivers the heated fluid through pipes to your home where it heats to your household and your water. This super-saturated fluid (a mixture of steam and hot water) has a temperature that can reach 125 degrees.

The industrial power plants use basically the same principal: the fluid flows to production well, where it moves through pipes to large generators to produce electricity and then, through pipes again to injection wells where it is returned underground.

A good example of this process is Ormat, Inc.'s, plant at Steamboat Springs. Sierra Pacific Power Company's nearby substation receives the energy being generated at the geothermal plant. The pastel-colored plant emits no black smoke, and other than a low rumble from the generators, it is hard to remember that a power plant is operating.

But that isn't Nevada's first power plant to utilize geothermal energy. Tad's Enterprise, Inc., built the first one at Wabuska in 1983, and sends a continuous 600 kilowatts to Sierra Pacific Power Company.

To this day, no one knows how far this geothermal energy extends below the earth's surface. Now though, various companies are tapping into those deep wells and finding resources available for 30 or more years from only one location.

With 27 Known Geothermal Resource Areas (KGRA) in Nevada, the Department of Minerals issued sixty-seven drilling permits in 1986 for exploration and/or production according to Dick Whiting. "Of these, twenty-seven were for industrial class wells, two for commercial projects, twelve for domestic wells, and twenty-six for non-classified wells and thermal gradient holes," he said.

All drilling and exploration of geothermal and petroleum properties are regulated by the Nevada Department of Minerals and/or the Bureau of Land Management. The Department classifies wells into four categories:

Industrial signifies injection wells used for spent geothermal fluids from a generating plant, or production wells that generate electricity. (Temperatures here can reach 350 degrees).

"With worldwide interest in geothermal energy, our plant has been visited by engineers from Japan, Switzerland and China. We are all aware of the need for a non-polluting, renewable energy source."

Falling into this category is Oxbow Geothermal's plant in Dixie Valley. After its completion, scheduled for mid-1988, it will send 55 megawatts of power to Southern California Edison. Peak production is expected by 1990.

Chevron Resource's plant at Beowave produces 14 megawatts per day; another Chevron facility at Desert Peak yields 12.5 megawatts, and has recently added a plant at Soda Lake. In addition to Ormat Inc.'s plant at Steamboat Springs, they are building another near the Black Rock Desert in Empire; and, as mentioned, Caithness Power Co., has been drilling at Steamboat Hills.

The **Commercial** classification is for wells providing geothermal energy for purposes other than electrical power. Reno businesses are in this category. Also, Elko's businesses in the downtown area use geothermal heat, as well as the junior high school complex. School districts in Carlin and Wells are geothermally heated, as are a casino and motel in Hawthorne.

A mine company in Big Smoky Valley has drilled a well in order to use its fluid in its leach pad operation.

A **Domestic** well is for heating a single residence. Homes in southwest Reno are in this category.

Non-classified is used when drilling in the search of a geothermal source.

Only in recent years has this energy potential been seriously utilized. However, it is an old energy source to Iceland, a country that has all its energy requirements fulfilled geothermally. Other countries, such as China, Italy, Australia, Japan and New Zealand now use geothermal energy in their major cities, as well.

California's geysers furnish power to 21 plants, with San Francisco alone receiving an excess of 400 megawatts.

Currently, Nevada imports 95 percent of its energy, but, "this home-grown energy source brings new money into the state. By exporting geothermal energy to Oregon and California, we generate income to affect those costs," says Richard Reyburn, executive director, Department of Minerals.

Larger industries may be more concerned about power production, but a little known benefit has grown from the abundance of hot pools of water. Tropical fish are being raised in run-off water from the generators at Wabuska, while on the Duckwater Indian Reservation in Nye County, catfish flourish in the warm waters and are sold to stores. At Hobo Hot Springs in Douglas County, gourmet Malaysian prawns are raised successfully for commercial use. And, as in the days of old, a resort is still using geothermal resources to please its patrons at Walley's Hot Springs, also in Douglas County.

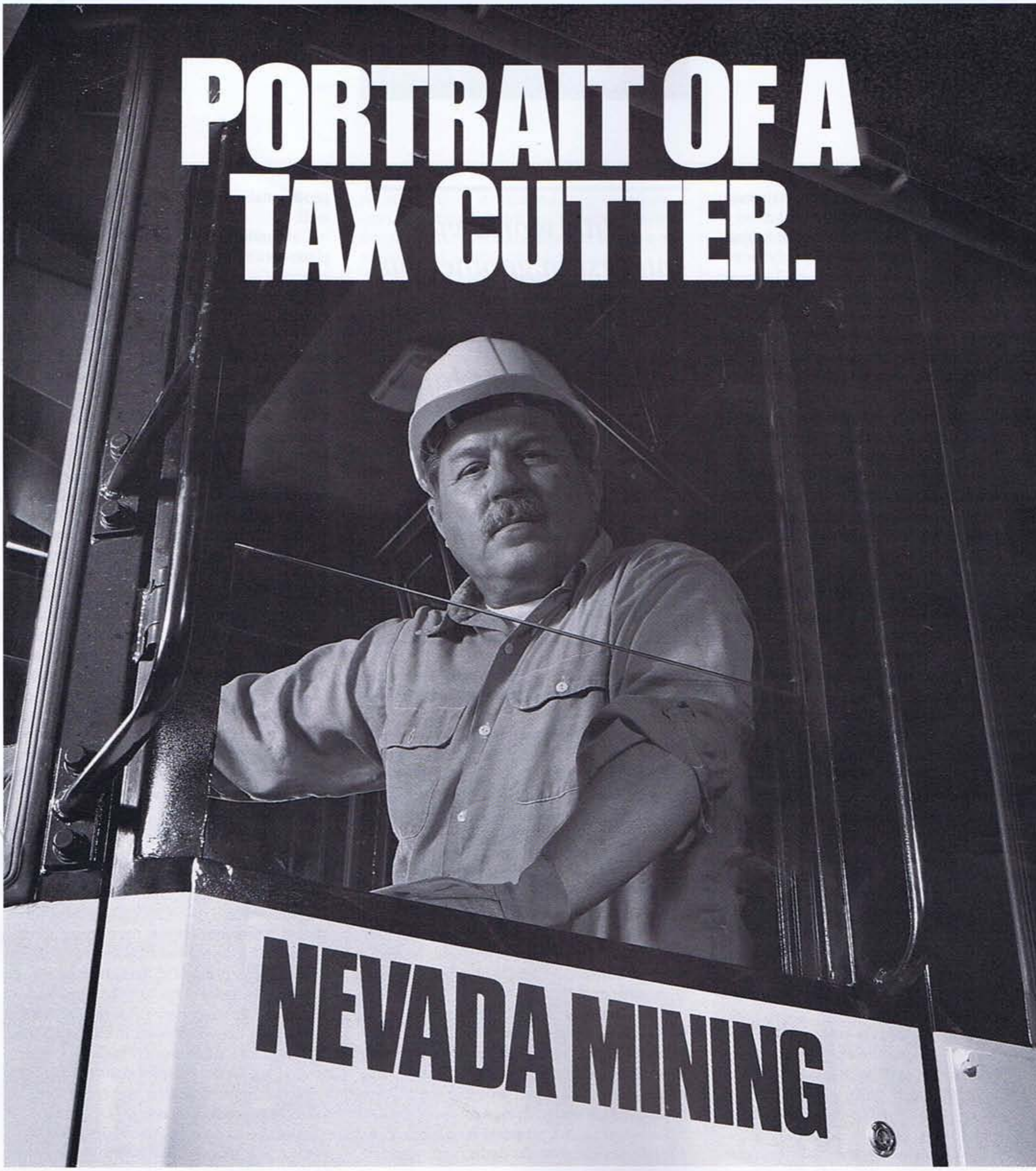
New and renewed interest in underground energy was vividly demonstrated in October, 1987 at the annual meeting of the Geothermal Resource Council. Held in Sparks at John Ascuaga's Nugget, the week-long conference hosted over 500 international members of the industry. Representatives from both production plants and from industry suppliers of equipment and services attended classes on the latest techniques, sharing problems and successes. More than fifty exhibitors demonstrated their wares outside the meeting rooms.

Outside in the hall, after the panel interview held for the press, Dr. Roberto Carella of Milan, Italy spoke of his company's plant near Naples, while a Japanese geologist exchanged views with his counterpart from New Delhi. Although the subject was, basically, underground hot water, the conversations were far removed from contented pioneers lolling in mud baths south of Reno.

Many of those delegates visited that same area of Steamboat Springs while they were here, in order to view the seven generators operated by Ormat, Inc.

The plant's small control room doesn't look big enough to control the seven giants outside the door, however, only one man is needed to watch the bank of computers that record data from inside each generating unit.

"We are understandably proud of the Steamboat plant," says Daniel Schocet, vice president. "With worldwide interest in geothermal energy, our plant has been visited by engineers from Japan, Switzerland and the Peoples' Republic of China. We are all aware of the need for a non-polluting, renewable energy source."


PORTRAIT OF A TAX CUTTER.
NEVADA MINING

Gold Mining: What's on the Road to the Bottom Line?

by James Clark

Profit margins for Nevada's gold mines always look impressive. However, high prices are exacted in exploration, operations, financing & taxes.

One does not decide one day that he wants to be in the gold mining business and just walk into the bank to borrow funds for his program. If a gold company does not have a producing mine, or another profitable operation, no matter how good their geology department is, they cannot go to a financial institution and secure the funds required to finance a gold exploration program.

Initial expenditures during the exploration phase are allocated to geologists in the field, drilling rigs, assaying and other expenditures relating to finding that trace of gold. The amount of spending over time becomes significant because it usually takes years before any mineralization is found. For example, the time lapse from when the initial discovery was made at Jerritt Canyon (near Elko) until production began in 1981 was 11 years. Another case required about four years of exploration before the Paradise Peak mine (near Gabbs) began oper-ations. Based on the results and studies by various gold companies, indications are that it will take an average of five years of exploration to find a gold prospect. Spending on exploration during those five years could approach $50 million. However, time and money do not guarantee finding a gold prospect and there are companies who are not successful.

After spending a possible $50 million on exploration over a five-year period and having found a gold deposit, a thorough economic analysis is conducted to determine if an additional investment should be made to construct a plant. Companies look at projected ore grades, gold recoveries, the kind of plant that should be built, cost of operating the facility and production rates. In addition, they attempt to determine what could happen during the production phase of the mine. Depending on the location and probable operating life, state and federal taxes of any nature may or may not be an issue.

Once a company determines they have an economic gold prospect and decide to build a plant, it could take another two years or more before operations begin. Prior to, and during construction, companies must secure the construction and environmental permits, water rights and land right-of-ways for power and access roads. Having secured all permits and spending about $150 million for exploration and construction costs over an extended time period, there is still uncertainty about the profitability. Will gold prices remain constant or fluctuate? There is no way to forecast price changes.

What affects the profits? Gold is a commodity and prices are set by the world market. Miners can not influence world gold prices, therefore, it is important to keep costs as low as possible. If costs are high and prices decline, then the operation could be spending more for mining and milling the gold ore than they receive from the sales. When this happens, the mine could be forced to discontinue operations until the price of gold increases. However, large mines cannot stop and start operations for short-term price declines. They must have cash available for periods when the selling price is less than the cost of production.

After the operation is running there can be significant additional capital investments because the nature of the gold in the ground has changed and the amount of gold being extracted is lower than originally projected or costs are exceedingly high. One mine in Nevada has been running for seven years. The facility originally cost about $100 million and they are now going to invest approximately $40 million for operational changes.

In Nevada, during the exploration and construction phases, mining companies are paying sales, property and fuel taxes. Once the mine begins producing, a net proceeds tax is paid to the state and the county of operation. The tax is calculated on the profits generated from the gold that was produced and sold. Deductions for costs incurred during exploration are not allowed. Financing costs which may be significant and must be paid from cash generated by the operation can not be deducted. In a given year, if a producing mine has a profit of $10 million from gold sales, but expended $2 million on exploration and $1 million on financing, they will pay a tax based on the net proceeds of $10 million not the $7 million of actual profits.

Major mines could invest up to $150 million before production begins. Out of the profits, a mine must repay the initial investment, financial cost for securing the funds and ongoing capital investments. Also, cash must be available for an exploration program so the company can continue to remain in business.

When you read about the profits of a mining company, stop and think about what is beneath the number. For the producing mines there are years of exploration expenditures, capital investments and financing costs that may not be reflected in the profit being quoted. Any business can survive only if the cash flow from sales exceeds the expenses. Only miners seem to be willing to assume the risk of spending millions of dollars a year for extended periods before they know if they have a potentially profitable mine.

James Clark is the chairman of the Nevada Mining Association Tax Committee and controller of FMC Gold Company.

Nevada's Miners: Remaining Internationally Competitive

by James Clark

To compete in a volatile world economy, Nevada mining companies must cut costs, streamline operations, meet tough federal and state requirements and develop new technology.

A hotbed of exploration and mining activities has propelled Nevada into the nation's top gold and silver producer. Nevada mines have attracted international investment and generated worldwide headlines as the industry undergoes the transition from the historic roots which gave birth to "The Silver State", to one of today's world leaders in gold mining.

To maintain its robust fiscal health, the Nevada mining industry is developing long-range strategies to reduce costs, and increasing its reliance on state-of-the-art technology to improve productivity. Substantial investments, such as a $165 million gold recovery complex, and payment of what is among the state's highest average paychecks to employees is required to keep Nevada mining competitive on the world market.

The Business of Mining

Asset restructuring is a business commandment in the bible of today's Nevada mining operation. Joint partnerships and ventures enable companies to share their expertise and capitalize on emerging technologies and marketing opportunities.

Hostile takeovers are an expensive threat, as one Nevada mining operation learned, after it paid a $6.75 million settlement in a lawsuit filed during a takeover attempt.

Environmental issues, changing technology, market trends, international trade, and government regulation all have a significant impact on Nevada mineral production. For example, Nevada was the nation's barite capital until the bottom fell out of the oil industry.

For the Nevada mining industry to remain competitive, it must increase productivity and protect the health and safety aspects of mining. Computer control technologies also play a major factor in operating multi-million plants.

Ore mined in Nevada may be discovered by a satellite, then extracted in microscopic particles. Research is a continuous process of improving leaching technology, separation of metals, and automating mineral processing — all while trying to prevent environmental degradation.

Issues Affecting Competitiveness

Regulation of mining focuses on land availability, minimizing the disturbance of the land surface, maintaining air quality, protecting water quality, wildlife and protection of other land uses.

Nevada mining operators must comply with substantial federal, state and local environmental laws while building and maintaining coalitions with agricultural interests, sportsmen, and other groups to see activities carried out by Nevada Mining Association members do not cause unnecessary degradation. It is not unusual to see mine managers worry about birds nesting nearby, trying to protect forage for grazing, or redesigning a culvert to protect a fishery habitat.

Maintaining access to federal lands, which comprise the bulk of Nevada's territory, is another concern for today's mine operator. Most Nevada miners report to one of two federal agencies — the Bureau of Land Management or the U.S. Forest Service.

Each agency has established a multiple land-use system to ensure the capability of resource development such as mining or livestock grazing while maintaining environmental protection of the lands.

The same technology that harvests more gold produces scientific innovations reducing environmental impacts. Tailing ponds, leach pads and mining pits, for example, are designed at inception with closure in mind. Land mined today may be a place for recreation, marshland habitat, or ranch land tomorrow. One gold company has reclaimed miles of exploration and mine road near Elko at a cost of up to $7,000 per mile.

At today's mine site, one may see an experimental revegetation program, ranch being maintained by a mining company, or a habitat for animals and birds. One company is developing a biological process to devour certain chemical wastes resulting from mining.

Reclamation, wildlife preservation and mining waste are hot topics being addressed by subcommittees of the Nevada Mining Association. The issues are complex, resulting in more than a thousand pages of environmental legislation, and thousands of pages of implementing regulations at the federal level.

Offsetting Social Impacts

Mines pay three types of taxes in Nevada including property, net proceeds and sales and use tax. The industry is gearing up to promote the passage of Senate Joint Resolution 22, which will increase the amount of net proceeds of mines tax paid by Nevada mines.

Companies have donated water systems, paid for law enforcement, supplied extra classrooms and teachers, purchased school buses, and built housing complexes to ease the community pressures brought by mining booms.

Even when times weren't as good, mining companies still provided city parks, supported youth activities, donated scholarships to Nevada's university system, and provided emergency medical assistance in remote rural areas.

The spirit of good corporate citizenship doesn't stop at the borders of rural counties. Nevada teachers attend an annual conference, sponsored by the Nevada Mining Association and the Department of Minerals, to learn about mining and bring their knowledge back to urban classrooms.

A Las Vegas engineering school and high school chemistry lab have both been recipients of Nevada mining donations, along with a Reno elementary school group who visited the nation's capital with a little help from Nevada mining.

Suppliers who are members of the Nevada Mining Association tend to do business and pay taxes in communities such as Reno and Las Vegas.

The World Market

The total free world production of gold was not enough to supply the demand for gold, including such uses as jewelry, medals, coins, electronics and dentistry. Gold production in the United States rose by 31 percent in 1987. The majority of total U.S. production came from Nevada.

However, the U.S. still takes a back seat to South Africa and the USSR in terms of world gold production.

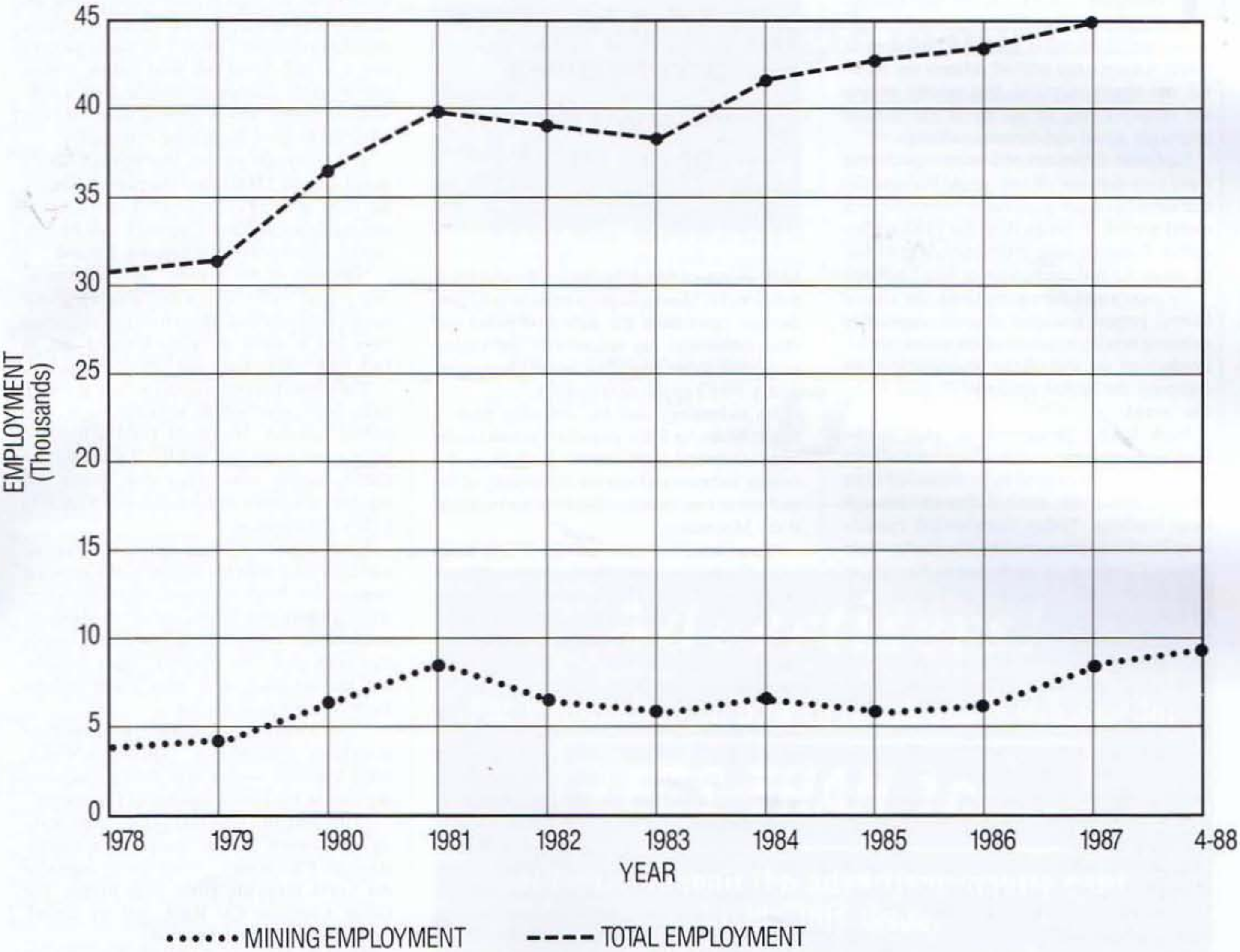
Nevada mines also produce the minerals found in advanced composites used primarily in the aerospace industry and specialty metals with high temperature capability and strength favored by many other industries, such as electronics.

Local miners will continue to respond to the demands of a national and global market if barriers to innovation and competition are reduced to practical limits.

The industry, comprised of many long-term Nevada residents, practices the doctrine of economic diversification and community involvement. Nevada mining has helped the state again resume its historic role as a national and international leader.

NEVADA RURAL EMPLOYMENT

RURAL COUNTIES



The Silver State Turns to Gold

by Barbara Armstrong

How is rural Northern Nevada coping with the social and economic changes that have accompanied the Gold Rush of the '80s?

In peaceful Northern Nevada where strangers still say, "hello" and tumbleweeds still blow across lonely highways, the largest gold rush in the history of North America has arrived. Miners are hopeful, old-timers skeptical. But mostly, people are simply trying to get by in the face of overnight social and economic change.

Last year, 63 percent of domestic gold came from rich deposits of low-grade Nevada ore that netted as much as an ounce of the precious metal per ton. If predictions for 1988 are accurate, domestic mine production of gold will be about 5.8 million ounces or $2.61 billion.

By year's end, Newmont Gold, the United States' largest producer of gold, expects to extract 1.6 million ounces of the yellow metal. Production on that scale would make the company the largest producer of gold in the free world.

Such liberal production of gold is the bounty of improved technology that allows minute particles of gold to be dissolved from massive low-grade mineral deposits through heap leaching. Today, commercial cyanide heap leaching, pioneered by the Carlin Gold Mining Company in northeastern Nevada, is the number one refining process of gold in the United States.

In heap leaching, crushed ore is piled two or three hundred feet high on a fabric leach pad. Solution sprays, much like lawn sprinklers and garden hoses, soak the ore with a low-concentrate cyanide solution that separates the gold from the ore. After the solution percolates through the ore it is piped to a mill where the gold and cyanide are separated. Then the gold is removed from the property in rough form to be further refined.

It takes a pile of dirt the size of an office desk to produce an ounce of gold. On today's market, that desk-sized pile of dirt has a dollar value of about $450.

Gold prices seem to be firmly set around $450 an ounce and a decline in the market is not in sight. Mining experts believe gold production can't meet the current demand and state authorities say reserves of the yellow metal will usher Nevada's second largest industry well into the next century.

As technology and the economy paint a bright future for Elko, popular wisdom is a bit more skeptical. Old-timers don't trust the mining industry and fear for the security of the traditional communities flanking the beautiful Ruby Mountains.

"I've seen 'em come and go," said longtime Carlin resident Wade Nash. "These mines, they start-up real fast and disappear just the same. It ain't gonna last ... Nash prophesied with the wisdom of one who has witnessed — too many times — the boom-and-bust of a small town.

But it doesn't seem like this is just another boom-bust cycle. Newmont Gold with a payroll of nearly 2,000, has been around for 25 years and expects to be here 20 more.

Still, old-timers are skeptical and even bitter about the change. Once a railroad town, Carlin now keeps its spot on the map with a population of 1,200 and a sign pointing the direction to Newmont Gold Mine. Ramshackle houses and dusty streets are more indicative of a dying town than a community sitting on the edge of a gold mine. Popular sentiment, like Wade Nash's, has prompted newcomers to settle 20 miles down the road in Elko where people are more receptive to newcomers. Elko, sporting a population of over 15,000, four major grocery stores, a half-dozen fast food chains, a busy airport, three casinos, an athletic club, a convention center and a general hospital, has attracted most of the mining community.

This overnight growth, that boosted Elko's population by 3,000 in less than a year, is being felt most severely in the housing sector. Local real estate agent Barry Lipparelli said the city cannot keep up with the housing demand.

"Because of the growth," said Lipparelli, "the private sector has not been able to respond as quickly as needed. Many mining companies have had to assist and build housing and, in fact, make other loans and contributions."

The mines have attempted to ease growing pains with contributions to public works and public services. Newmont Gold offered to build a new water tank in Elko, a water well in Carlin, supply extra classrooms, buses and teachers to schools and donated over $100,000 to law enforcement.

Even so, it doesn't seem generous donations can keep pace with the demands of a growing community. Families crowd into fifth-wheel trailers where they share community showers; construction workers bunk in roadside motels that blink pink "No Vacancy" signs at night: and tourists drive on to other towns because there is no room at the inn.

"This boom has hurt tourism, because there is no place to put people," said Donna Welch, local business owner and acting executive director of the Elko Chamber of Commerce.

In the past, this community has relied heavily on tourism as one source of economic strength. Elko is the Cowboy Poetry capital of the world, hosts the Silver State Rodeo, The Great American Car Race, and an annual, International Basque Festival.

At the Rodeway Inn on Elko's overcrowded main street there has been a 96 to 100 percent occupancy since November. Last year, the Rodeway contracted with one of the mines to supply 30 of their 65 rooms to the mine and its contractors for a price well below the usual tourist rate. Motel owner Robert B. Gooden says crowding like this has hurt tourism.

"Mostly we have miners coming in here looking for places to put their families," said Gooden, a retired Wall Street trader. "We don't usually take that kind of business, but did it because there was such a need for it."

Secure in their homes on tree-lined streets, the old timers don't really understand the growth and are reacting with a sort of "bewilderment", as the community changes from a "Sleepy Hollow" to the fastest growing city in the United States.

"It used to be in this community that everyone knew everyone," said Ann Nisbet, a lifetime Elko resident. "But now, there are all these new people you don't know. There is kind of a bewilderment. Gosh, you can go downtown and not see anybody you know. And the stores ask for identification to write checks. We never had to do that before."

But others have received the newcomers more positively. Another long-time Elko resident, Mark Chilton, senior vice president of a local engineering firm said the mines have contributed very positive things to the community because the miners and their families have become involved in service clubs and organizations. He added that in the past Elko has been plagued by not being able to attract professional people to the area.

"Before this boom, there was more money elsewhere. But now, people know where Elko is and it is no longer perceived as a jumping-off place for professional people." Chilton credited this change to increased air service as well as other new services brought to Elko to serve the mining community.

Chilton believes that many new people coming to Elko have above average educations. They are in the prime of their life and seem to be willing to contribute time and money in the best interest of the community.

Others see the newcomers as "riff-raff" or "vagabonds" simply looking for easy money. Ann Nisbet said many of the newcomers are "witless and less respectful of the community." She said these "drifters" have not enjoyed a stable economy before so they have a difficult time in Elko where the economy is good.

Maybe this is true. The number of police calls has risen 33 percent since January. Elko Chief of Police Gordon Fobes, a 20-year veteran on the force, says that's not a big increase compared with the small amount of crime there was before. Two years ago the graveyard shift averaged about four or five calls. Now that same shift averages 20 to 25 calls — some serious — but mostly they are assistance calls.

To meet the increased calls the force has

New Tax Law TIP

To help you understand the new tax law, the IRS has two new publications. **Publication 920** explains changes affecting individuals and **Publication 921** explains changes affecting businesses. Both are free. Ask for one at any IRS office or call the IRS Tax Forms number in your phone book.

TAX TIP

—A Public Service of the IRS

been increased from 24 to 26 officers. Another two officers will soon be added. The Elko City Police, operating under a $1.4 million budget, recently hired a full-time narcotics agent and expect to have a narcotics dog on the force by the end of the year. Chief Fobes admits there are drugs in the schools, "But it's just like everything else, it just happens to be our turn." Fobes doesn't associate the increase in drugs to the influx of people.

He did, however, blame the growth for a "new paranoia" sweeping the city. "With the influx of people the residents are a little paranoid of crime."

Elko Police Commissioner Marv Churchfield admits that people are concerned about crime and says education is the answer to paranoia. "The negativism and paranoia," Churchfield explained, "come from people's fear of change. If you're comfortable, nobody wants to change. But change is inevitable. I think it's exciting to be a part of the fastest growing city in the United States."

Even though some old-timers look at this 1980s gold rush as another boom-bust cycle, most people believe the gold mines are here to stay. Sure, they expect this "bubble" to level out in two years when contractors building new mining facilities complete their work, but the mines will endure.

"I don't really think this is a boom now," said Chief Fobes. "The word 'Boomtown' implies here today, gone tomorrow. I think this is going to level off and last."

Elko does not depend on one single industry for its economic base, but relies on mining, gaming, agriculture and tourism. This economic diversification makes Elko a suitable place for future industrialization that will boost and stabilize the economy.

Police Commissioner Churchfield believes this will happen. He says new industrial companies serving the Elko mining community have created an avenue that will establish Elko as a major distribution point in the West.

This is quite possible. Manufacturing companies are finding Elko conducive to their industry because of its central western location and pro-business tax structure. Elko sits on two major highways and a primary railroad line. These factors make the city a prime location for warehousing and distribution.

The Nevada Freeport Law in Elko County exempts from state taxation all personal property in transit through the state, including storage, assemblage, or processing for use in another state. Not only that, but inventories held for sale within Nevada are exempted from personal property taxation, a fact that makes Elko and the surrounding areas very attractive to warehousers and distributors.

Whatever the future holds for Elko, today the community has risen to accept a challenge not faced by many small American communities: rapid economic and social growth.

Vanderbilt: Mining Gold in the Silver State

"Mines are made, not found," and they are made by dedicated people. Vanderbilt's success can be attributed directly to the efforts of its employees.

Vanderbilt Gold Corporation is a junior U.S. gold producer, incorporated in Delaware and headquartered in Nevada. The company specializes in the acquisition, development, and production of precious metal properties.

Vanderbilt chose this area of specialization because it considers gold mining a growth industry. Many recent technological innovations have now made it possible to explore for, develop and produce gold from mineral deposits which were uneconomic in the recent past.

The company also believes gold to be the ultimate hedge in both good times and bad, for it has always been marketable. In times of inflation, the price of gold typically increases faster than the rate of inflation. During periods of economic depression, when credit systems collapse and currencies depreciate, gold retains its relative value.

Vanderbilt's main objective, now and always, is to increase shareholder values. They have found that this can best be accomplished by increasing both ore reserves and gold production without share dilution. Furthermore, they have never attempted to grow by incurring significant long-term debt. The mining conglomerate believes strongly in fiscal responsibility — that no individual, company, or nation has ever been able to borrow its way to prosperity over an extended period of time.

In June of 1987, following the acquisition of all the working interests in the Morning Star, Vanderbilt decided to add a fine crushing circuit to its operations at the mine. Extensive field testing, as well as lab scale testing, had demonstrated that fine crushing of the ore, prior to leaching, increases gold recoveries. Before the installation of the crushing plant, only run-of-mine ore was stacked on the pad and leached. The run-of-mine (uncrushed) ore required a 90 to 120 day leach cycle to achieve a gold recovery of approximately 54 percent.

In July, a multi-stage fine crushing plant, designed to process at least 75,000 tons of ore per month for placement on the leach pad, was constructed at the mine site. The initial start-up of the crushing plant was obtained by retrieving previously leached run-of-mine material from the leach pad. Gold recoveries from the leaching of this material were closely monitored and demonstrated that gold recoveries from ore, fine crushed before leaching, could be expected to reach at least 74%. Furthermore, these gold recoveries could be achieved in a 60-90 day leach cycle.

With the multi-stage fine crushing plant running smoothly by mid October, gold production improved dramatically. During the fourth quarter, 197,593 tons of newly mined ore from the pit were processed through the crusher and stacked on the pad, and 4,777 ounces of gold and 6,055 ounces of silver were recovered. For the twelve month period, 1,735,860 tons of waste and 555,083 tons of ore were mined, and 10,298 ounces of gold and 13,180 ounces of silver were recovered.

Plans are already underway for further enlarging operations of Morning Star, and innovative method for improving and accelerating gold recoveries, as well as for reducing operating costs, are currently being tested. For example, a method of hydraulically loading the leach pad, rather than hauling the material by truck or conveyor to the pad, has successfully been tested at both lab and pilot scale levels. During the first quarter of 1988, this loading method will undergo bulk scale testing at the mine site and, if proven practical, may be operational by mid-year.

Homestake Mining Company, which leases from Vanderbilt 76 claims in the vicinity of the Morning Star ore deposit, is now concentrating its efforts in an area approximately on mile south of the Morning Star, but along the same mineralized structure. Vanderbilt has the right to convert the lease into a joint venture.

Vanderbilt is continuing to drill to the west and north of the Morning Star pit attempting to expand geologic reserves as well as better define previously drilled indicated reserves. In addition, Vanderbilt plans drilling this year at the high grade Vanderbilt District located approximately 17 miles east of the Morning Star. Further exploration drilling is also planned for this summer at both the Aspen Springs project in east central Nevada and the Mullin Creek gold/platinum project in Wyoming.

The Vanderbilt district is a high grade vein system in San Bernardino County, California, approximately 70 miles south of Las Vegas. Vanderbilt Gold Corporation's property position consists of 170 unpatented claims, totaling approximately 3800 acres.

The country rock in the Vanderbilt district consists of Precambrian gneiss and schist intruded by random masses of mesozoic granite. Two northwest striking, 65 to 80 degrees northeast dipping mineralized fault zones are the dominant structures in the area. Less persistent northeast striking mineralized quartz veins cross and intersect the main northwest veins in some locations. Previous old shallow workings in the district dating to the 1890s have concentrated on these time zones. Gold and silver mineralization between the old workings.

The Aspen Springs project is a sediment hosted gold-silver prospect in White Pine County, Nevada, approximately 28 miles west of Ely. The property consists of 30 contiguous unpatented claims, named the Illipah claims, which total approximately 620 acres.

The Illipah claims are located on the southern extension of the "Alligator Ridge trend" approximately 36 miles south of the Alligator Ridge deposits and 20 miles south of Echo Bay's Illipah Mine deposit.

Corresponding geochemical and VLF-EM surveys have delineated anomalies associated with jasperoid breccias in Joana Limestone near the Joana Limestone-Chainman Shale contact along northwest and north striking structures and northwest striking northeast dipping bedding planes in lower Chainman Shale near the shale-limestone contact.

The geochemical-geophysical anomalies are to be drilled during spring and/or summer of 1988 in an attempt to delineate possible ore grade gold-silver mineralization within the lower Shale unit near the shale-limestone contact.

The Mullin Creek project is a gold-platinum prospect in Carbon Co., Wyoming, approximately 18 miles southeast of Encampment, Wyoming. The property consists of fifty two contiguous unpatented claims, the Seminole claim block which total approximately 1074 acres in area.

The Seminole claims are located within the Lake Owen layered mafic complex, one of three layered mafic intrusive complexes that occur along an east-west and northeast-southwest arcuate trend that crosses the central Wyoming-Colorado border. These three intrusions are physically and chemically similar. Vanderbilt Gold, through its wholly owned subsidiary Glen Lane Development Corp. is at present concentrating exploration in the Mullin Creek complex. Currently over 90% of the complex open to mineral entry has been staked. Claim holders in the Mullin Creek include, among others, American Copper & Nickel (INCO) and International Platinum Corporation.

Drill targets have been tentatively delineated in the southeast and southwest sections based on geologic field relations and data from a detailed magnetic survey (total field magnetometer). Rock chip and soil sample geochemistry have further delineated these tentative targets. Drilling is planned for summer 1988.

Mardian Construction: Building on a Strong Reputation

In the once sleepy Colorado River town of Laughlin, one of the state's largest contractors is building the equivalent of a 26-story hotel/casino with 872 guest rooms and 56,000 square feet of casino action. But don't look for a towering skyscraper when you roll into town because Mardian Construction Company's activity is divided between two highly-themed casino projects: the 14 story, $65 million, 466-room Harrah's Del Rio and the 12-story, $60 million, 406-room Ramada Express. Both hotel/casinos open this summer in what has become the nation's fastest growing gaming destination.

Dick Rizzo, president and CEO of Mardian Construction

Aside from the magnitude of the projects, how does a contractor manage simultaneous jobs for two spirited and successful neighbors who will be competing for a share of Laughlin's estimated two million annual visitors? The answer seems to be "Just fine, thanks."

Craig Shaw, vice president, construction operations, for Mardian, points out that while the jobs were guided by separate project management teams, both clients enjoyed shared advantages.

"The benefits included having the expertise of the same architect and several major subcontractors on both jobs," Shaw says. "In addition, we were working under similar 'design/build' contracts with both owners, which enabled us to have tighter coordination and save valuable time from start to finish."

The architectural firm of Morris and Brown of Reno, has worked with Mardian on previous hotel/casino projects. In fact, over the last five years, William F. Morris, AIA, and Randan Brown have specialized in designing highly-themed casinos. As a result, the architectural team was familiar with the unique requirements of the industry. Also, their strategic planning analysis of the Laughlin market provided special insight of benefit to both clients.

Seven of the subcontractors proved successful bidders on both projects and three — the mechanical, electrical and food service contractors — became part of the design teams that helped guide the two big projects through to completion. Manpower and material coordination between the two jobs was encouraged and developed by the respective job superintendents.

Shaw said another important factor was the timely contribution of the owner representatives who worked closely with the architect and contractor. Representing Ramada were Paul E. Rubeli, president of Ramada's gaming group; Dual Cooper, general manager; Edward Reese, director of construction projects, and Dave Adams, onsite coordinator. Representing Harrah's were: Philip G. Satre, president and CEO; Larry Lacaff, general manager; Pat Munson, director of construction, and Chris Saunders, project engineer.

A Victorian Look

The Ramada Express, which opened in June, is designed around a Victorian-era railroad station and dubbed "The Gambling Train of Laughlin". A replica of a turn-of-the-century train, will carry 130 passengers in two open-air cars from the parking area to the main entrance. One of Mardian's tasks was to lay three-quarters of a mile of track and install a 200-foot-span, wooden-timber trestle. Both were accomplished by specialized subcontractors.

Amenities include a 30,000-square-foot casino in railroad station decor, five restaurants and lounges, and a 1,500-car parking area. The 28-acre site, located on burgeoning Casino Drive, offers ample room for expansion. The Ramada Express has been projected for an ultimate 1,194 rooms and an 82,000-square-foot casino/restaurant area.

The facility's opening came two months ahead of schedule. Darrell Luery, Ramada gaming group executive vice president for development and planning, attributed the early completion to favorable construction conditions and to Mardian's "great performance" on the job.

The newest Ramada joins three other company gaming properties: the Tropicanas in Las Vegas and Atlantic City, N.J., and Eddie's Fabulous 50's casino in Reno.

This marks the third recent major project in which Mardian and Ramada have been partners. Mardian served as turnkey general contractor for the $56 million expansion of the Las Vegas Tropicana in 1986. Last year, Mardian completed a new prototype, 159-room Ramada Inn in Chandler, Ariz., designed for the business traveler.

Down Mexico Way

Just a good poker chip throw down Casino Drive, Harrah's Del Rio is being readied for an August 29th opening. Located on a 49-acre riverfront site, the development includes a 26,500-square-foot casino, 3,000 square feet of meeting space, four restaurants, parking for 1,500 cars, covered boat landing, and a guest beach to complement the swimming pool.

As the name indicates, Harrah's Del Rio offers a south-of-the-border flavor with the color and architecture of Old Mexico throughout. Although the casino is single level, architects created a two-story balconied look that turns the casino onto a plaza. Two restaurants face onto the plaza.

This aerial view of Harrah's Del Rio Hotel/Casino shows the 14-story tower and adjoining casino as they near completion. An August 29 opening is planned. In addition, a 500-car parking garage northwest of the casino is scheduled for completion in September.

For Holiday Corporation, a parent company of Harrah's, the Laughlin facility puts Harrah's into all of the major United States gaming markets: Las Vegas, Reno, Lake Tahoe, Laughlin and Atlantic City, New Jersey.

Also scheduled for completion this fall is a 500-car parking garage, another first for Laughlin. As with the Ramada Express, Harrah's Del Rio is designed for further growth with a second 500-room tower.

Numbers Add Up

Taken together, the two properties add up to some healthy construction numbers. More than 1.7 million yards of dirt had to be moved — either excavated or filled. At Harrah's, Mardian leveled a hillside to provide a suitable construction site, and at Ramada literally "moved a mountain" before construction could begin.

The two jobs also consumed 13,300 cubic yard of concrete, 23,600 tons of asphalt for parking and roadways, 1,290 tons of structural steel and 500,000 masonry blocks.

Given the summer temperatures on the Mohave Desert, ample provision had to be made for high-volume air conditioning. Altogether 2,000 tons of air conditioning were employed to cool the combined 633,000 square feet under roof.

From an economic standpoint, the two properties also are having an impact on the Laughlin-Bullhead City area. Subcontractors, mostly Nevada-based, benefitted from $40 million in subcontract work on the two projects. Construction alone involved more than 500 workers at its peak, with a weekly payroll that sometimes approached $1 million. The two properties will add another 2,000 permanent jobs and $13 million or more annual payroll to the Laughlin work force which already has grown to an estimated 8,000. The additional 872 guest rooms bring Laughlin's accommodations to 4,100 rooms.

Mardian Presence Grows

As for Mardian, the Laughlin projects reflect the company's stable but growing presence as a southwest general contractor, especially in the hospitality industry. The 74-year-old company has been on the Nevada construction scene for almost two decades, completing its first casino project in 1971: the Ormsby House Hotel/Casino in Carson City, built for the Laxalt family.

Since 1982, Mardian has been involved in $400 million of hotel/casino projects, a substantial part of the company's $1 billion construction activity. Among the latest hotel/casino jobs are a 29-story, 600-room tower for

John Ascuaga's Nugget in Sparks, a 22-story, 800-room Tropicana Resort addition in Las Vegas, a 580-room expansion for El Rancho Hotel and Casino in Las Vegas, expansion of the Hilton Hotel and Casino in Las Vegas, and a 2,000-car parking structure for Holiday Hotel and Casino in Las Vegas.

Recent major projects not related to the hospitality industry have included a $112 million construction contract for the McCarran International Airport terminal, $8 million

"We've built a reputation for timely completion within budget ... for a casino owner, both are critical."

for First Western Savings corporate headquarters, $24 million for the Cashman Field complex, $27 million for the Thomas and Mack Arena at UNLV, $9 million for three Target Stores for Dayton Hudson Inc., and $7 million for the ten-story Clark Place office building, all in Las Vegas. Since 1980, Mardian also has served as construction manager for Southwest Gas Corporation for construction activity in both Nevada and Arizona.

Dick Rizzo, Mardian president and chief executive officer, points out several reasons for Mardian's growing presence in the highly selective field of hotel/casino construction.

Mardian's management team, front row, from left: Cal Radach, vice president business development; Dick Rizzo, president and CEO; Dave Krause, vice president and controller. Back row: Bob Hilde, vice president Calif. operations; Scott Pettis, vice president preconstruction operations; Craig Shaw, vice president construction operations.

The Ramada Express, fronting on Casino Drive in Laughlin, is a 28-acre facility with a 12-story guest tower and a 30,000-square-foot casino.

"For one thing, we've built a reputation for timely completion within budget," Rizzo says, "and for the casino owner both are critical to the overall success. We also offer a turnkey approach through a design/build contractual arrangement that provides total building responsibilities from design, thorough construction including furnishings, fixtures, interior decor and equipment. This makes an attractive complete package for clients who don't need the headache of pulling it all together themselves. They like the advantage of a single point of responsibility."

Bonding Unlimited

Rizzo said another factor is Mardian's relationship with its parent company, The Perini Corporation, a publicly-held, billion-dollar, international construction and development firm. Because of Perini's financial strength, Mardian enjoys unlimited bonding, a rare advantage in the construction industry.

"Credibility and trust are also extremely essential in our client relationships," Rizzo

This ground-level view of Harrah's Del Rio shows the riverfront site which will include a sandy guest beach.

adds. "Eighty percent of our business is with repeat clients and almost 100 percent of our contracts are negotiated. That puts a high premium on performance because if we don't perform, we don't continue to succeed. Negotiated deals are built on past performance, credibility and financial strength."

Adding to Mardian's reputation within the hospitality industry is the fact that Perini is a leading contractor for Atlantic City hotel/casinos as well. Perini's work for Harrah's in Atlantic City led to the Laughlin project; similarly, Mardian's work for Ramada led to Perini developing Ramada's east coast Tropicana property.

Mardian maintains their Nevada office in the new Clark Place building, constructed by Mardian, at 301 East Clark, Las Vegas. The company also is active in Arizona and Southern California, with offices in Phoenix and Pasadena.

Given the projects already on the drawing board for 1989, Rizzo anticipates Mardian's 75th anniversary year will be a continuation of its expansive growth as a construction leader in the Southwest.

MARDIAN'S NEVADA PROJECTS

Ramada Express	$60,000,000
Harrah's Del Rio	65,000,000
McCarran International Airport	112,000,000
First Western Savings	8,000,000
Cashman Field	24,000,000
Thomas and Mack Arena	27,000,000
Target Stores (3)	9,000,000
Clark Place Bldg.	7,000,000
Total	**$312,000,000**

OTHER PROJECTS NOT ESTIMATED

Sparks Nuggets
Tropicana Hotel Addition
El Rancho Hotel
Hilton Hotel Expansion
Holiday Hotel Parking Structure

Is Las Vegas Too Hot? The Potential for Overbuilding is Real

David Picerne, president and CEO of Picerne Development Corporation, sees a lot of development potential in metropolitan Las Vegas. But along with that potential comes the threat of substantial overbuilding in Clark County's multi-family housing sector.

According to Picerne, Las Vegas could become as overbuilt as Phoenix, Arizona, if construction continues at its current pace. Several market conditions in Las Vegas parallel conditions encountered by Picerne just before the Phoenix market began its construction frenzy in 1983.

"For years, Phoenix was touted as the hot spot for real estate development," says Picerne. "Some developers, and lenders, to some extent, became overly optimistic about the growth of the Phoenix economy."

This miscalculation of the market's actual demand for multi-family housing is what fueled unwarranted construction, he explains. "The market got hot — it got too hot.

"Instead of planning developments based on conservative growth figures, developers spent four years building a five-year surplus of apartment units, pushing vacancy rates to 13 percent," says Picerne, adding that "significant overbuilding in any marketplace creates short-lived peaks of construction and employment, followed by a damaging crash that impacts every area of the economy for years."

Such a scenario may now be possible in Las Vegas, warns Picerne. "When you're in the market every day, looking for new sites, talking with people in the industry, you see people making plans for apartment communities on every street corner," says Picerne of the Las Vegas market. "If everyone follows through with their plans, the market will be overbuilt in fewer than two years."

Picerne cites several critical factors affecting real demand for multi-family housing in the marketplace:

David A. Kohner, senior vice president of development for Picerne Development Corp.

- **Job Growth** — The creation of new jobs has averaged 11,000 per year during the last 15 years, according to the State of Nevada, Employment Security Department. Recent peaks in 1983-84 (17,000 new jobs) and 1985-86 (19,000) have caught the eye of a few developers who are banking on the creation of 20,000 new jobs per year for the next 10 years.
- **Projected Multi-Family Housing Absorption** — Real absorption is projected by Picerne Development to be just under 4,000 units per year for the next ten years. If the level of new units exceeds actual market absorption, overbuilding and high vacancy rates will develop easily within 24 to 36 months, says Picerne.
- **Number of Multi-Family Housing Permits Allowed** — The average number of units permitted during the past five years has been 5,400 per year, according to the Clark County Department of Comprehensive Planning. Yet 5,300 permits have been pulled in the 1st quarter of 1988 alone, a strong indication that builders have overestimated the real demand for new units.

Today, metropolitan Las Vegas has an inventory of approximately 90,000 multi-family housing units with 3,300 units vacant, says Picerne. If real absorption is 4,000 units per year and just 8,000 units are built every year for two years, the result will be 11,240 units vacant, pushing vacancy rates from the current average of just under four percent to more than ten percent.

According to Picerne, this scenario is a conservative one. A 13 percent high-end estimate is possible within 24 to 36 months if reasonable constraints by lenders and developers are not followed. Picerne Development's research shows that there are more than 10,000 new units under construction, recently permitted, or on the drawing boards.

"I'm not down on the Las Vegas market at all," exclaims Picerne. "We saw its potential, that's why we're here, but we're frustrated. We saw overbuilding happen in Phoenix and now we see the same thing happening here."

More than a year ago, Picerne Development, a developer and manager of multi-family housing communities, entered the Las Vegas real estate market to seek new development opportunities. Picerne was attracted by the city's strong and dynamic gaming industry and concerted to diversify its economy.

Picerne Development is nearing the completion of its first Las Vegas development, 544-unit community near the Strip.

"We take a balanced approach to development in each market we enter," says David Kohner, senior vice president of development for Picerne Development Corporation. "We pay close attention to demographics and realistic projections on market growth and job creation. We try to minimize any kind of hype we hear and base development activity solely on numbers."

Kohner says Picerne Development is pursuing the development strategy to meet the needs of the marketplace," explains Kohner. "Right now, we're concentrating on in-fill areas of

David R. Picerne, president and CEO of Picerne Development Corporation

Clark County and meeting the move-up demand for luxury apartments."

Picerne is also fulfilling the need for professional fee management services to other owners and investors of multi-family housing in Las Vegas by actively marketing Picerne Management Corporation, the property management subsidiary of Picerne Development.

"As the market expands and becomes increasingly competitive and sophisticated, investors require professional property managers who can maintain quality and occupancy in a property," says Kohner.

In Picerne's mind, there's no question that the Las Vegas market will grow. What he does question is the perceived potential for growth, based on numerous factors that have an impact on the economy. "Overzealous growth is as harmful to an economy as no growth," he says.

Picerne recommends that lenders, developers and government officials closely evaluate and monitor the multi-family housing market. Since Las Vegas — with a population of 623,000 and an inventory of 90,000 units — is a smaller market than Phoenix, it will take less time for it to become overbuilt.

"Lenders and developers who ignore the warning signs of oversupply may threaten the vitality of the economy and their own futures in Las Vegas," said Picerne. "By analyzing honest numbers, I can see the justification for 5,000 units a year in metro Las Vegas ... but 10,000? No way."

Interwest: Providing Service for Owners *and* Tenants

The Atrium

Interwest Leasing and Management continues to increase its commercial leasing and management portfolio in Las Vegas with its recent acquisition of the nine-story Atrium Office Building, the Rainbow design Mart and Sunrise Manor Shopping Center.

"We currently have approximately 2.8 million square feet of commercial properties under contract in Las Vegas," says Iain Finlayson of Interwest.

THE ATRIUM

Located at Rancho Road and Highway 93/95, the Atrium is owned by the Telephone Real Estate Equity Trust (AT&T). Their investment managers, Karsten Realty Advisors in Los Angeles, contracted Interwest to replace Coldwell Banker as the leasing and management agent for the building. Karsten Vice President John L. Carnasale worked with Finlayson in negotiating the contract.

According to Finlayson, the 138,000 square foot Atrium is currently at 86 percent capacity and with current negotiation, could be up to 90 percent by mid 1988.

Sierra Health Services is the major tenant with over 47 percent of the building leased out to their company. In addition to parts of the first and third floors, they occupy all of the second, fourth and ninth floors.

Other Atrium tenants include Delta Airlines, U.S. Homes, Prudential, Robert Diero and Associates, Pangborn C.P.A.s, Subway Sandwiches, Atrium Hair Design and the Greenhouse Flower Shop.

Finlayson also reported the owners are presently investing approximately $400,000 into major renovations, including totally refurbishing interior and exterior design. Rich Martin and Associates of Miami, Florida orchestrated the design work for the remodeling of the Atrium. Interwest, in association with Martin, coordinated the complete remodeling project. Scheduled completion for the renovations was set for late spring 1988.

Finlayson says the Atrium offers tenants an effective working environment in a pleasant, contemporary atmosphere, as well as, covered parking free to tenants and their clients. The building's location is a plus with bi-directional freeway access enabling rapid transit to all areas of the city including downtown Las Vegas, which is approximately eight minutes away. Additionally, on-site management is administered daily by Interwest's Jerriane Thompson.

RAINBOW DESIGN MART

Themed shopping centers are a common practice in today's commercial real estate market, however, finding a unique theme in the Las Vegas area is difficult. Not so for the Rainbow Design Mart, a shopping center devoted exclusively to the beautification of the home and office, whose leasing and management will be handled by Interwest.

Scheduled to break ground in August 1988, this one-stop shopping center will offer interior design, furnishings, decoration and improvement services to homeowners and business executives for their home or office. Located in the middle of the rapidly developing northwest and southwest areas of Las Vegas, on the northeast corner of Rainbow Boulevard and Del Rey. Completion of the project is scheduled for February, 1989.

SMW Investments of Las Vegas are providing the financial backing. Richard Luke is the architect with J. Christopher Stuhmer working as contractor.

Tom Naseef of Interwest said the large amount of new housing developments and businesses in the area prompted the idea for the design center.

Nevada Title has already committed to leasing 10,000 square feet in phase one of the four-phase project. "It's going to be a huge success," said Nevada Title owner Chuck Lester. "We're probably going to take another 2,000 square feet for another of our business, Architectural Stone."

Naseef said the center will provide all aspects of the residential and commercial interior design industry and hopes to attract such potential tenants as decorators and businesses that feature wallpaper, furniture, bath and kitchen design.

"This is a showroom/warehouse project," Naseef said. "The size of each space will give every tenant plenty of room to show their wares and keep a good supply available."

"The design of the building is termed 'contemporary southwest' reflecting the theme of a design center," according to contractor Chris Stuhmer.

The Design Mart will cover 66, 780 square feet on almost four acres of land. Each unit will be a minimum of 1800 square feet.

SUNRISE MANOR SHOPPING CENTER

One of the newest additions to Interwest's ever-growing portfolio, Sunrise Manor Shopping Center is located in a rapidly developing area at the corner of Desert Inn and Nellis.

Built in 1987, the shopping center has over 40,000 square feet with units available starting from a minimum of 1,125 square feet to a maximum of 4,800 square feet. With a current occupancy at 50 percent, major tenants include Jonathon's Bar and Grill, the Mattress Store, and Checker Auto Parts.

According to Interwest's Trina Crawford, remaining units "are available at very competitive market rates with generous fixturization time."

Thomas Naseef of Interwest

Blue Cross & Blue Shield Cements Agreement with County

Washoe County employees now have the option of obtaining health insurance coverage from Blue Cross and Blue Shield of Nevada under a new agreement between the county and BCBSN.

BCBSN replaces Humana as the indemnity plan carrier and will be offered to county employees along with Health Plan of Nevada's health maintenance organization.

"We are eager to provide health insurance for the county employees," said Tom Seigner, BCBSN president. "We are looking forward to a strong partnership with the Washoe County government and its workers."

Seigner also said the agreement marks the beginning of this company's plan to move into the large group coverage market.

"Our affiliation with the Rocky Mountain Health Care Corporation provides us the needed statistical reporting capabilities that large clients, like Washoe County, traditionally demand," Seigner said.

The BCBSN president said his non-profit company will take advantage of the fact that about 2,200 doctors — 800 in northern Nevada — participate in its insurance network.

Briefly, BCBSN has agreed to an annual $200 deductible per person. Once an insured adult goes over the $200 deductible, BCBSN would pay for 80 percent of the out-of pocket expenses that individual incurred.

Once expenses reach $5,000, the insurance company will pay 100 percent of covered charges.

BCBSN also will offer life insurance benefits for county employees. A $20,000 policy will be provided to persons enrolled with either HPN or the BCBSN indemnity plan.

In addition to the 800 northern Nevada physicians, Washoe Medical Center and Sparks Family Hospital also participate in the company's coverage program.

Tom Carns: What's His Formula for PDQ Success?

by Kathleen Foley

Tom Carns, founder and president of PDQ Printing in Las Vegas, recalls asking an employee who had taken time off work for a dental appointment: "Who does your dentist's printing?" When the employee replied he didn't know, Tom was horrified. "Why didn't you use your time productively?" he asked.

Motivating each employee to be a full-time salesperson, and treating each customer with old-fashioned personal attention are the keys to Tom Carns' phenomenal success. How successful has he been? Quick Printing Magazine, the leading trade publication for the industry, has named PDQ Printing to its list of the top 100 quick printers in the nation for 1986, 1987 and 1988. Its records show that PDQ is now "the third largest single shop quick printing operation in all of North America." Whereas the average volume of business for a quick print shop is $180,000 per annum, PDQ recorded $2.2 million in sales for 1987 and is projecting $2.8 million for 1988.

All this for a company founded and solely owned by a man with no experience in the printing business seven years ago, a man raised in an orphanage near Seattle. After selling his furniture store and moving from Washington to Las Vegas (his wife Carolyn liked the idea of living in the desert), Tom decided to open a print shop only because some friends back home had made a good living at it.

Tom has since become a consultant in the quick print industry, and colleagues from other regions come to Las Vegas to tour his operation and hear him expound on the principles which have led him to the success he now enjoys. The most important advice Tom gives his students at these training sessions is to make their businesses: "Customer-focused, customer-focused, customer-focused."

Each PDQ customer service representative is required to take the eight-week Dale Carnegie Customer Relations Course as a condition of employment, and all outside sales people must attend the Dale Carnegie Sales Course. PDQ pays for this training, and feels it is money well spent. In addition, Tom hosts two motivational employee meetings a month at his home. "It's good to get people's thinking channeled in the right direction," says Tom, who also offers his employees cash bonuses for reading such books as How to Win Customers and Keep Them for Life."

Customer feedback is important to PDQ Printing, which includes postage-paid reply cards with every completed order. Tom opens all the cards himself, and every complaint gets personal attention from the head of the company. Tom picks out a sampling of cards, both good and bad, to discuss with his employees at their meetings.

Tom calls his employees "an extension of myself to help me earn money," and he rewards them well for their assistance. Employees are eligible for a two-week vacation after working for a year. Not so unusual, you say? PDQ not only pays for their two-week vacation, they get paid time-and-a-half in advance so that they can afford to enjoy themselves. Tom is currently planning to buy a condo in Hawaii where employees can stay at no charge for their vacation, and the company will pay airfare for the employee and his/her spouse. Also in the works: an employee stock-ownership program.

Not surprisingly, this treatment has generated a fierce loyalty among PDQ employees. Of the total 31 employees, many are spouses or family members of the original group, brought in by their enthusiastic recommendations.

Tom has been President of the National Association of Quick Printers since July 1987, and spends about 60 days each year on association business. He credits his involvement with the national organization as a big help in keeping abreast of developments in technology, and getting an overview of the printing business and its future. Plans for the immediate future of PDQ Printing center around a new 13,080 square foot facility scheduled for completion at the end of the year.

The secret to Tom Carns' constant enthusiasm and boundless energy? "I'm excited about business. If someone asks me how I'm doing, I say 'Fantastic!' and I really mean it. I like what I'm doing."

Jan Laverty-Jones: Part-Time Sleeping Beauty, Full-Time Businesswoman

by David Hofstede

PHOTOS BY MICHAEL E. MEAGHER

There she is again, this time on horseback in full cowgirl regalia, telling the folks in television-land that there's still nobody cheaper than Fletcher Jones, and flashing a friendly smile that has become as familiar to Las Vegans as sunshine in July. Last time, she was Sleeping Beauty in one of a series of fairy-tale send-ups. God knows what she's planning next.

One could be forgiven for thinking that this was her regular job. She certainly has the looks, the delivery and the camera sense of a seasoned spokesperson, but there's a lot more to Jan Laverty-Jones than what is evident in a 30-second commercial. Yes, the woman best-known to many for dropping a cat while selling Toyotas, also happens to be a graduate from one of the top ten business colleges in the country, a corporate vice-president, a restauranteur, a patron of the arts, and a wife and mother of five children, (though not necessarily in that order).

Jan Laverty-Jones, 39 years old, successfully carried a double major in English and Psychology, graduating from Stanford University in 1971. She was offered a full scholarship to the MBA program at the University of Southern California, "but at the time, I was married and my husband was going to law school — one of us had to work." It's still a goal she has never completed, and from time to time she still talks about going back, but at this point "it really is pointless," she says, "it's not going to make a difference in what I do, or what I'm able to accomplish."

Besides, her father told her years ago that she had already learned everything she needed to know, and he would teach her the rest. His words proved prophetic. While still in college, she was doing the books for the restaurant where she worked as a cocktail waitress. "I met the man who owned the restaurant chain and he asked me to join the staff. I began doing restaurant analysis and looking for locations." Within five years Jones became director of personnel and developed their management training program.

"I then started opening all their restaurants — hiring, training, setting up operations and leaving. But when my husband graduated, he got á job in Los Angeles, and I went to work for Thriftimart."

End of Chapter One, start of Chapter Two, "The Thriftimart Years." Actually, this chapter should have come first. The Thriftmart chain was originated in California by Jones' grandfather, where as a youth, she worked as a cashier in their Encino store. After four years of higher education, she returned as director of research and development.

"I did a variety of things, (like) discovering that some of the managers in our 70 retail stores didn't know how to read a profit and loss statement. So I developed a series of training programs to educate them about the different corporate informational systems that applied to them. I also set up their computerized budgetary system." She was also put in charge of streamlining the Thriftimart empire, conducting market analyses of their various secondary operations and ascertaining what was worth keeping. Whenever a consultant was hired, Jones served as the liaison. "It was always special projects like that, which allowed me to roam through the company."

By 1982, Jones had moved to Las Vegas and in 1983, married her second husband, Ted Jones, a.k.a. Fletcher Jones Jr.

In Las Vegas, Jones' responsibilities entailed developing a new image for the faltering local Thriftimart chain. "When we opened the four stores in Las Vegas in 1961, they were right in the center of town. Since we never filled in the gaps, by the time I moved here the stores didn't have the density, and the demographics had changed. Who we were selling to wasn't the same anymore, so we had to find a way to regain a lot of lost market share.

"Because of Ted and the dealerships, I discovered the cost-effectiveness of television advertising, so we decided to go on TV for Thriftimart to see if we would get any response." Thus, began the series of commercials starring Jones and her brother Rocky, who was the company's corporate counsel. "We used Rocky and me to project a family image," Jones said, "because the stores were family-owned."

The ads were an immediate hit. Michael Henry, a co-creator of the campaign who is now creative director of Fletcher Jones Management Co., tried to explain the success of the team once referred to as a "supermarket version of Martin and Lewis."

"They were different from anything else at the time. A lot of it had to do with the strength of Jan's personality. Many people can't project themselves on camera — they come out looking flat and one-dimensional. Jan and Rocky could play off each other. They had fun, the commercials were light, but the information was still there."

"From a recognition standpoint it was very successful," Jones recalled, "but in terms of market share, it wasn't. At the time, I'm not sure anything we did could have changed the situation." The family sold the stores in 1984. End of Chapter Two.

At about this time, Fletcher Jones had purchased Ed Fountain Toyota, and they were looking for a spokesperson. "Ted said, 'Why not let Jan do it?,' but Fletcher said, 'no,' because he wanted to keep the same spokesman and not change anything. Ted said, 'That's great, but you're going to have to pay him.'"

In 1985, Jan Laverty-Jones became the spokesperson for Fletcher

"I'm a great believer that if you produce, then you'll be taken seriously, and if you don't, people will question your right to be in a position no matter how you got there."

Jones Toyota, proving that "nobody, indeed, is cheaper than Fletcher Jones."

Sometimes, though, cheap is smart. And successful. "I think the commercials are popular because people relate to me as a person. Rather than projecting some secondary image, because I'm not professional at this, I projected who I am, what I thought was amusing and what I felt would sell. Most people respond to the humor," Jones believes, "The commercials are silly without being stupid, and (like the Thriftimart ads) the information is still there — price, payments, and time."

What the average couch potato does not know is that besides serving as unofficial media relations and publicity chairman, Jones also holds the title of vice-president with Fletcher Jones Management. "People don't realize the input she has here," says Micheal Henry, "she's not just a dumb, blonde figurehead. She knows the business, and she knows what she's talking about."

"I really started when we began to expand," Jones explained. "When we first moved here we just had the three dealerships that had been in Las Vegas since 1968. Then we purchased Ed Fountain Toyota, and shortly after that we started a new corporation composed of Mazda, Isuzu, Suzuki and Hyundai. We also have dealerships in Los Angeles, and I felt that a real problem had been created because the car business is very specific, and doesn't lend itself easily to outside hiring of management personnel." She quotes a statistic that found 98 percent of all MBAs who enter the car business failing in the first year, "so it was difficult to develop a corporate structure.

"All of a sudden we had nine dealerships to manage, and Ted is a very hands-on manager, so it was difficult for him to delegate authority. Having been around the car business with Ted, and because we talk about everything, it was easier for me to see some of the corporate structuring policies we needed if we were going to manage everything without going crazy. So we came up with a management company which was my concept, and I became vice-president so I could centralize some of the general administrative functions as they pertain to operating all the dealerships instead of just one.

"We brought our advertising, marketing and data processing groups here. Eventually, we'll fill our audit and corporate financial positions from this company. Our long-term goal is to have district managers, corporate personnel and staff who will respond to Ted so he won't have to do it all himself," she said. Jones has also initiated a salary administration program, along with management programs similar to those she created at Thriftimart.

That should be enough to silence the folks who whisper "nepotism," but if it isn't, Jones won't be too upset. "I grew up with that," she remembers, "I always worked for a family business, and I found it an easier problem to deal with than my brothers did when they were working for Thriftimart.

"I'm a great believer that if you produce, then you'll be taken seriously, and if you don't, people will question your right to be in a position no matter how you got there. I don't feel the need to prove anything to anyone, except myself and Ted."

Another chapter begins here with the opening of Billy Bob's Barbecue Bistro, a restaurant created by Jones and her ex-brother-in-law that will celebrate its third anniversary in November. She had always wanted to own a restaurant, "but don't ask me why, because there's nothing worse than the restaurant business. But Billy Bob's has met all of our projections and it's doing very well." Plans for expansion are already underway, with Billy Bob's Cantina scheduled to open next door to the restaurant in the near future. Billy Bob's

also has a catering service "for everything from picnics for 1,000 people to wedding receptions."

There may be more eateries in Jones' future, but not right away. "Restaurants are very high risk. They're expensive to set up, plus, they're the kind of business you can never totally let go of."

A definite liability, especially for someone whose time is already in great demand. Nobody's busier than Jan Laverty-Jones, or at least, it often seems that way to her.

"It started with the Children's Museum. One of the women who spearheaded the museum was a friend of mine, and we were very good at putting on a cost-effective, profitable fundraiser. All too often the people who do fundraisers lack a strong business background. If you set them up properly, as with any money-making endeavor, you are going to maximize your profit-making potential. So when you do one fundraiser and make money, people ask you to do others." Jones has also participated in both the Children's Miracle Network and the Easter Seals Telethons.

"People ask me why I keep doing this, since it's something I never did in Los Angeles — I didn't have the time. I don't really have the time now, but I feel that Las Vegas is a young and growing community, and the input and effort you put in here really makes a difference. I would like Las Vegas to eventually be seen as something other than Sin City. I get tired of that. It's a nice place to live. The people here are nice. The economic base is broadening and ten years from now we're not going to be a town anymore — we're going to be a big city. So what we do now is going to make a difference in what our city becomes.

"I've always had a tremendous amount of energy, and I've found that if you schedule yourself effectively, there is time. It depends on how important things are to you."

In addition to her telethon work, Jones also works with the American Heart Association and United Blood Services, and is on the Board of the UNLV Foundation, the National Conference of Christians and Jews and the Nathan Adelson Hospice, among others.

Such activity has kept her profile higher than ever, but recognition has a flip side, as Jones has now discovered.

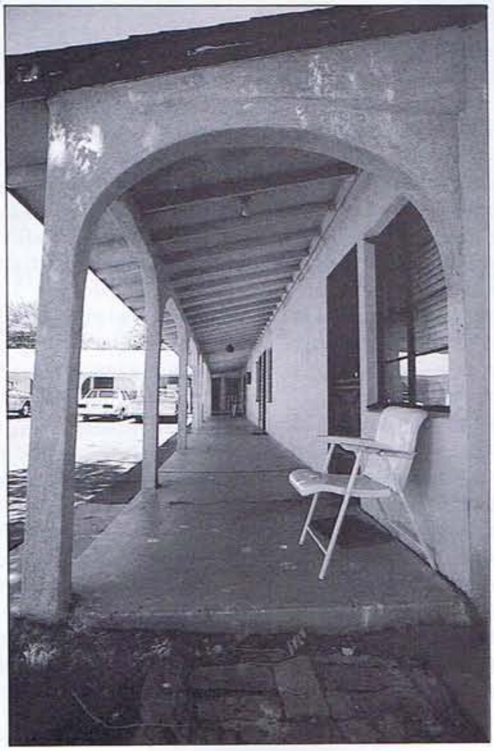
"Everybody grows up with the concept that it would be great to be a star, but one thing I learned from doing the commercials is just how precious your privacy really is. Once you become visible you can't go back. Anonymity is a precious commodity, but because most people are nice about it, and are potentially my customers, I can't say 'I'm busy,' or 'I don't want to talk to you.' It's more of a strain than I ever would have imagined."

But it is even worse when the public stops noticing, so Jones plans to stick with the car business, both in front of the camera and behind the scenes. "I think it will continue to expand, and as we do, the requirements and needs of the management company will grow and change." Away from the office she has other priorities. "I want to get my five children — raised and happy — through college. That's my personal goal."

And the last few chapters? They have yet to be written, of course, but they should make for very interesting reading.

WAGONWHEEL APARTMENTS

(Income Property)
Las Vegas, Nevada



BROKER PARTICIPATION WELCOME

Available now are 18 fully furnished studio apartments (no vacancies), conveniently located to the downtown area and major shopping centers.

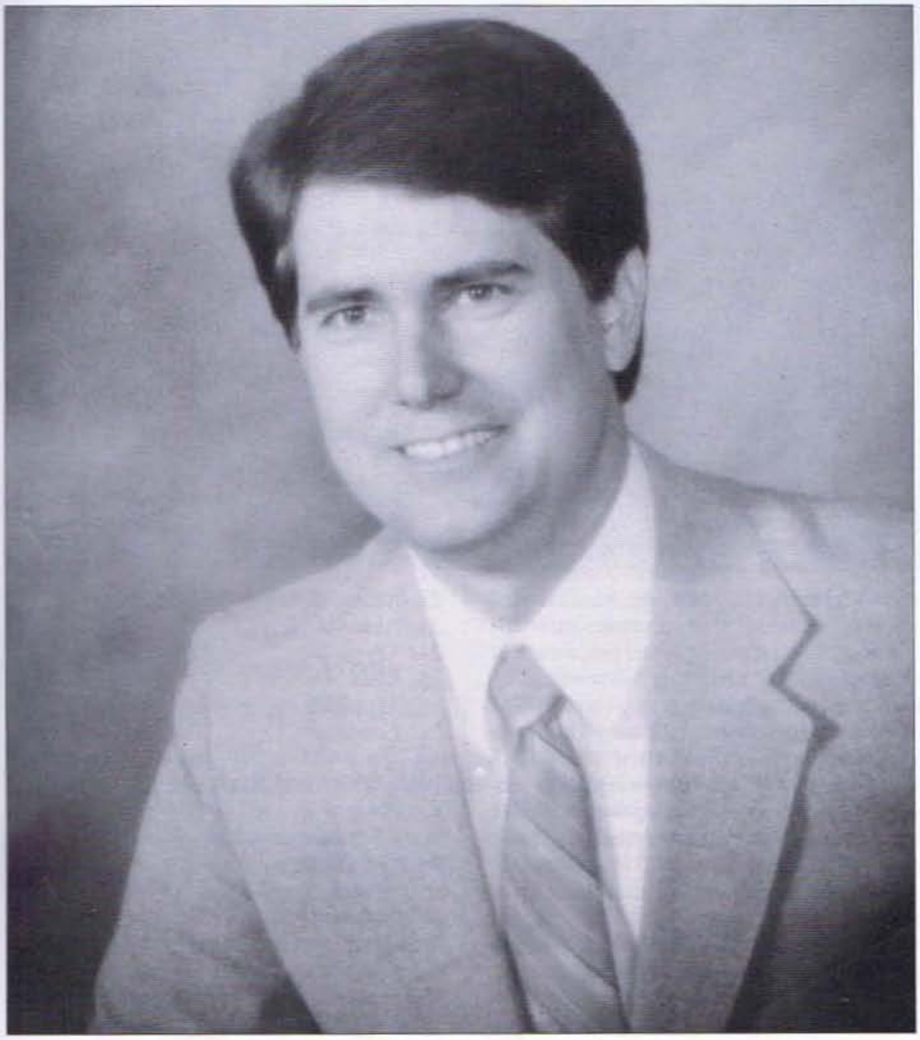
These quaint, cozy apartments are the perfect size for singles and small families.

Well kept grounds provide a carefree but beautiful outdoor environment, with fully mature trees to provide shade from the blistering summer sun. Arched walkways lead to each tenant's front door. The ambience and atmosphere of this little community ensure high occupancy rate.

This property is offered at $359,000. Terms available.

Contact Lyle E. Brennan
(702) 735-7003
First Interstate Tower
3800 Howard Hughes Pkwy
Suite 120
Las Vegas, Nevada 89109

Goodmans Names Nevada Director of Operations



Kevin Dicken has been named director of operations for Goodmans Furniture and Office Systems in Southern Nevada, it was announced this week by Murray E. Goodman, president.

Dicken joined Goodmans three years ago, serving as branch manager for the Tucson, Arizona, office. A graduate of the University of Arizona, Dicken holds degrees in marketing and operations management. He previously served with both the Thrifty Corporation and Dayton Hudson Corporation.

Goodman said the appointment is a new position reflecting continued expansion of Goodmans in the Las Vegas area. The company recently occupied larger showroom and warehouse facilities at 4305 South Industrial Road.

Goodmans serves a five-state Rocky Mountain region with major offices in Las Vegas, Phoenix, Tucson, Albuquerque and Denver. According to Goodman, business, health and industrial furniture sales account for approximately $40 million in annual revenues.

Nevada Briefs

Study on Manufacturing Climates Released

Nevada is one of the country's most favorable states for manufacturing, according to an annual study released today by Grant Thornton, a major accounting and management consulting firm with offices here.

Grant Thornton's *Manufacturing Climates Study* cites Nevada's favorable tax environment, low workers' compensation costs and low level of unionization as principle reasons for its attractiveness to manufacturers.

"Nevada has a lot to offer manufacturers" said Ron Zideck, managing partner in charge of Grant Thornton's Reno office. "The business, educational and governmental sectors have worked together to encourage industry to locate here and we compare favorably to many other states in factors that manufacturers deem important to their success."

"This year Nevada is the leading state in the Southwestern Region, which for the third consecutive year ranks the best region in the country for manufacturers", said Zideck. The other states in the region in order of attractiveness include Arizona, Colorado, Utah and New Mexico.

Grant Thornton's *Manufacturing Climates Study* ranks the 48 continental states in two groups, according to their levels of manufacturing. The study considers 27 states "manufacturing-intensive" because they have exceeded the national average in manufacturing shipments or workers over the last four years. Twenty-one states, including Nevada, have lighter concentrations of manufacturing, according to the same criteria. The report does not include Alaska and Hawaii because their substantially different economies make comparisons with other states difficult.

"We rank the states in two groups to allow readers to compare states with similar levels of manufacturing and, therefore, similar economic problems and challenges," said Zideck.

Overall, Nevada ranks fourth among the 21 states, with relatively low labor and state-regulated employment costs, such as workers' compensation and unemployment insurance. The Grant Thornton report also notes that Nevada's tax effort is lowest in the country — another plus for manufacturers — although Zideck notes an increased interest for additional tax efforts.

The study bases its ranks on 21 factors, organized in five categories:
1) State and local government fiscal policies, such as tax effort and state business incentives; 2) State-regulated employment costs, such as unemployment compensation benefits and workers' compensation insurance rates; 3) Labor costs, such as wages and percentage of unionization; 4) Availability and productivity of resources, including energy and skilled workers; and 5) Selected quality-of-life issues, such as education and health care.

The factors are based on surveys of governors, state economic development officials, and statewide associations representing more than 100,000 manufacturers.

Each year, statewide manufacturing associations rank the factors. In the latest report, wages, available work force and unionization ranked as manufacturers' top three priorities.

For the fifth consecutive year, the *Manufacturing Climates Study* includes exclusive data on union membership and work stoppages, compiled by Dr. Leo Troy, a nationally recognized labor expert and professor of economics at Rutgers University. Nationally comparable data on workers' compensation insurance rates are also exclusive to the study.

Grant Thornton has published the *Manufacturing Climates Study* since 1979. The oldest continuous report of its kind, the study will be distributed this year for the first time by Prentice Hall. It costs $18.95 and may be ordered by calling Prentice Hall at (800) 872-6386.

Grant Thornton, founded in 1924 as Alexander Grant & Company, is one of the nation's largest accounting and management consulting firms with offices in more than 50 U.S. cities, including Reno. Through Grant Thornton International, a worldwide affiliation of accounting firms, Grant Thornton serves clients in more than 50 countries.

STATE RANKS

States With High Manufacturing Intensity

1. New Hampshire
2. Missouri
3. North Carolina
4. Delaware
5. Florida
6. Massachusetts
7. Mississippi
8. New Jersey
9. Arkansas
10. South Carolina
11. Georgia
12. Vermont
13. Tennessee
14. Wisconsin
15. Rhode Island
16. Connecticut
17. New York
18. Illinois
19. California
20. Indiana
21. Pennsylvania
22. Maine
23. Alabama
24. Texas
25. Ohio
26. Michigan
27. Louisiana

States With Low Manufacturing Intensity

1. South Dakota
2. North Dakota
3. Nebraska
4. Nevada
5. Kansas
6. Virginia
7. Arizona
8. Colorado
9. Maryland
10. Utah
11. New Mexico
12. Iowa
13. Idaho
14. Washington
15. Minnesota
16. Kentucky
17. Oregon
18. Oklahoma
19. Wyoming
20. Montana
21. West Virginia

Test drilling site at Lousiana Mining Corporation's Moapa Mining Venture #1

Mining Firm to Move Headquarters to Nevada

Louisiana Mining Corporation has announced that it will relocate its corporate headquarters to Las Vegas, Nevada on August 1, 1988. Cade Havard, CEO of Louisiana Mining says, "Since the majority of Louisiana Mining's properties are located in Nevada and the surrounding area, it's only natural that we should move to where the action is." Louisiana Mining is currently looking at several possibilities for corporate offices in the Las Vegas business district. Havard states that they are anxious to become a part of the Las Vegas, Nevada business community.

Louisiana Mining also announced today that it has reached an agreement in principal to acquire a producing mine near Fallon, Nevada. The Fallon property is an underground,, hard rock mine from which the ore averages approximately 30 oz. of silver and 1/4 oz. of gold, per ton. This high grade, low tonnage operation should be in full production under Louisiana Mining Control in about 45 days. In addition, they are currently evaluating a California prospect 100 miles from Las Vegas.

Work on the Moapa Valley property (MMV#1) is progressing and negotiations continue on a comprehensive agreement with Billiton Minerals U.S.A., Inc., a wholly owned subsidiary of Shell Mining controlled by the Royal Dutch/Shell Group of companies. Louisiana Mining is listed on the Alberta Exchange and the American "Pink Sheets".

Vegas Copier Systems Awarded Nellis A.F.B. Bid

Vegas Copier Systems was recently awarded a bid to lease 108 copy machines to Nellis A.F.B. The company has been servicing Nellis as a subcontractor for several months by repairing and maintaining copy machines.

Worth nearly $500,000, the contract will cover a three year period for service and supplies, according to owner Leslie Blumetti-Draper, who writes an interior design column for the Las Vegas Sun. Draper has expanded the office equipment company to include sales of office supplies and furnishing as well as interior design consulting services

LV Office Vacancy Level Change Best in Nation

Las Vegas was best in the nation in improving the vacancy level in its downtown market for the first quarter of 1988. Downtown office vacancies hit an all-time low of 14.4 percent according to Coldwell Banker Office Vacancy Index of the United States.

"We expect to see the vacancy rate drop below 15 percent by year end as a result of the lack of new construction," said Coldwell Banker's first vice president Don Haze. "Downtown office construction is curtailed due to the new tax laws. Currently, only one new project is being discussed for 1989."

Coldwell Banker's centralized real estate data base and information service organization in Boston analyzed the report which dealt with the office vacancy index in both downtown and suburban markets. Nationwide, the office vacancy rate in the metropolitan areas reached its lowest point in two years at 20.4 percent, down from 21.5 percent a year ago. This is attributed to moderate construction and strong space absorption in suburban and downtown markets.

Weighing the nation's metropolitan areas combined suburban and downtown office vacancy index, Las Vegas once again showed improvement, finishing third at 20 percent, a decrease of 2.6 percent. Only 12 metro areas had declines of one percent or more.

IGT Slots Slated For Safeway

International Game Technology has entered into a multi-year, multi-million dollar agreement with Safeway Stores, Inc., granting to IGT the exclusive right to place coin-operated gaming devices in all Northern Nevada Safeway grocery stores.

The space lease agreement, IGT's first with a national supermarket chain, allows the company to operate its video poker and reel-type gaming machines in existing Safeway stores as well as in any new stores for a minimum of three years, beginning July 1.

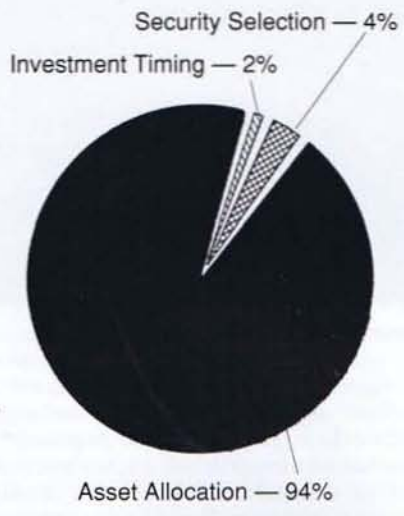
"We're pleased to be moving into a major chain like Safeway," said Kerry Reppert, national sales manager for IGT's Route Division. "Our plans include creating an attractive area set off from the rest of the store — aesthetically pleasing to players and shoppers."

In addition to Safeway Stores, IGT has contracts with a number of Nevada businesses, including Circle K, PDQ, Pak N Save, smaller independent convenience/grocery stores and several 7-11. "We're in the process of expanding the route operations at a very rapid pace," said Bud Russell, IGT president and CEO.

The Investment Process — Part III
Establishing the Right Asset Mix

by Annette Bidart and James Ross

PORTFOLIO PERFORMANCE
The Determining Factors



This article is the third of six parts outlining the investment process for plan sponsors of pension, jointly trusteed, 401K, profit sharing plans and endowment funds.

• • •

Establishing the right asset mix (asset allocation) is based upon the last two articles we discussed here, "Determining Your Needs" (cash flow requirements, risk tolerances and return expectations) and "Setting Realistic Investment Objectives" (what kind of returns a plan sponsor should expect based upon the risk willing to be incurred). Asset allocation is the most important decision plan sponsors have to make during the investment process. It has by far the greatest impact on the fund's performance.

A study from the *Financial Analysts Journal* of July, 1986, determined that 94 percent of a portfolio's performance is based on long-term asset allocation. Timing the markets and security selection each accounted for only two percent and four percent, respectively, of the portfolio's performance.

The first question to be addressed when determining an asset allocation mix is which asset classes are to be included in the portfolio (cash equivalents, bonds, equities, real estates, venture capital, etc.). Some portfolios, such as profit sharing plans, may choose to have a higher portion of their assets in fixed income vehicles because, in the eyes of the employees, the plan terminates on the day they leave employment of the company. Others, such as defined benefit plans, may want to establish a portfolio that takes more risk because of the longer time horizon. These plans may invest a large portion of their assets in stocks and even some in venture capital; they will take more risk with the expectation of higher returns over the long run.

An example of the value of asset allocation can be seen by examining some capital market history. If sixteen years ago a retirement plan had decided to stay out of the stock market and buy government T-Bills, the plan would have earned 10.4 percent. It was the decision to buy stocks that accounted for the higher return, much more so than the stocks in the portfolio.

The next step of asset allocation is to decide on the normal or long-term weighting for each of the asset classes. Investment management consultants have computer programs available to design optimal portfolio mixes. The idea is to take your needs, objectives and asset class choices, combine them together and design a portfolio to achieve the highest expected return for a predetermined level of risk. In other words, for a given level of risk, taking into consideration the asset classes the sponsor wishes to include in the portfolio, there is no other portfolio with a higher expected return. As an example, a standard portfolio of 40 percent stocks and 60 percent bonds can be revised by using additional asset classes that can minimize the risk of the plan and maximize the returns. Over a ten or 15-year period, a plan that has been exposed to the optimal portfolio mix may produce results far better than the traditional portfolio and take less risk.

In conclusion, it can be said that it is more important to decide whether to have 40 percent or 60 percent of your assets in stocks or bonds, than the simple decision of which bond or stock to have in the portfolio. An investment management consultant can assist plan sponsors in determining the asset mix most appropriate for your plan and then meet with the plan sponsor to review reasons to modify the asset mix and its target ranges.

All of this footwork — which is probably a plan sponsor's biggest reponsibility in making investments for large pools of funds — should then be put into writing. Establishing the Written Investment Statement, which defines your needs, sets your investment objectives and states your asset allocation ranges, will be discussed in part four of this six part series.

Annette Bidart is studying for a Chartered Financial Analyst designation. James Ross is Vice President of Investments, Prudential-Bache Investment Management Consulting Services Division of Reno, a member of the Profit Sharing Council of America, the International Foundation of Employee Benefit Plans, and the Investment Management Consultants Association.

Summer Rally Lifts *Nevada Business Journal* Stock Index

Investors, encouraged by the rising dollar and improved inflation report, deluged Wall Street with buY orders, sending many market indicators, including the *Nevada Business Journal* Stock Index, to post-crash highs durng the month of June.

For the period, the *Nevada Business Journal* Stock Index soared 113.85 points en route to a post-crash high of 1840.99, thanks to strong showings by Major Video (up 53.3 percent and the largest percent gainer of the portfolio), Gaming and Technology (up 50 percent) and Circus Circus (up $6.37 a share and the largest dollar gainer of the lot).

Each stock in our regional portfolio enjoyed an average gain of 6.59 percent in just 30 days of trading as advancing issues out-paced declining issues by better than a three-to-one count — 21 stocks increased in price compared to six that fell. Six companies (Circus Circus, Gaming and Technology, International Game Technology, Jackpot Enterprises, Major Video and Valley Capital) managed to reach new 52-week highs in June, highlighting the strength in Nevada-based stocks during the month of June.

During the month of June, advances out-paced declining issues by a three-to-one margin with six companies in our portfolio posting 52-week highs.

Gaming and Technology said it agreed to buy back 600,000 shares of its common stock from Elizabeth M. Fulton, who will resign as a director upon completion of the transaction. Moreover, Ms. Fulton will sell 450,000 shares to Alfred Wilms, the firm's chairman, boosting his holding in the gaming machine concern to 3.7 million shares, or about 49.5 percent of the total 7.5 million after the transaction. Gaming and Technology closed the period at $7.50, up $2.50 a share.

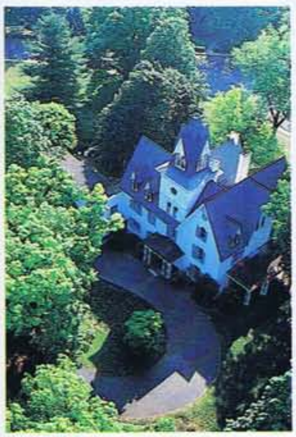
Circus Circus announced plans to build a $290 million hotel-casino with a castle theme on the Strip, adding to the building boom underfoot here. The new complex is to be geared towards middle-income clients, according to chairman William Bennett. Separately, Circus Circus posted 67 percent higher earnings per share for its first quarter due to strong growth and higher revenues.

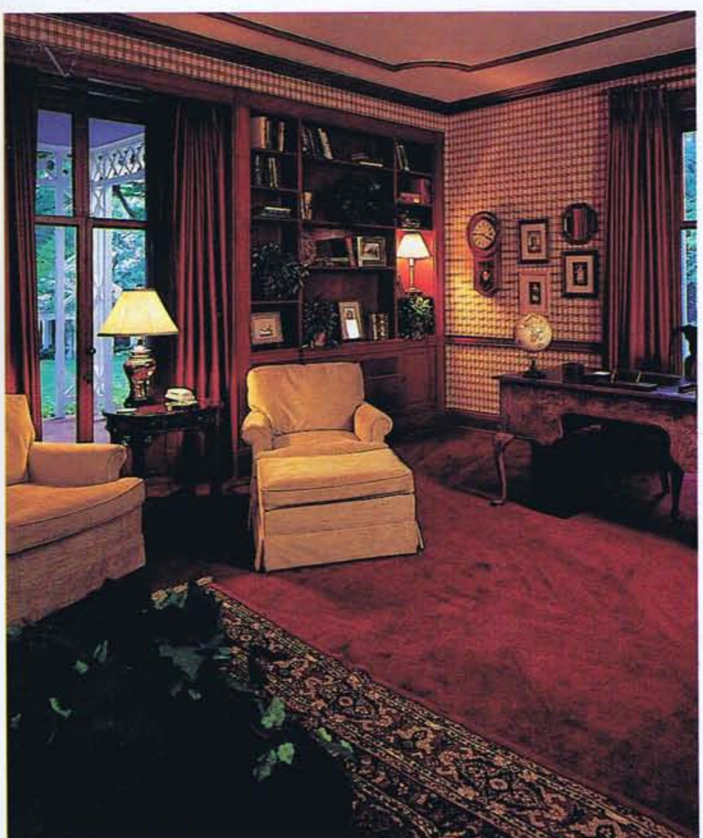
NEVADA BUSINESS JOURNAL STOCK INDEX

Exch	Company	Ticker Symbol	Closing Price 04/27/88	Closing Price 05/27/88	Net Chnge in Period	% Chnge in Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
OTC	Amserv	AMSR	2.38	2.88	.50	21.01	d	0.00	0.00	4.13	1.50
OTC	Cadema Corp.	CDMA	.75	1.00	.25	33.33	—	0.00	0.00	2.63	.75
NYS	Circus Circus (H)	CIR	27.38	33.75	6.37	23.27	18	0.00	0.00	34.63	17.50
ASE	Elsinore Corp.	ELS	2.00	1.75	-.25	-12.50	d	0.00	0.00	3.75	1.25
OTC	First Western Financial	FWES	8.00	8.38	.38	4.75	9	.32	3.82	11.38	5.63
OTC	Frontier Savings	FRNT	2.25	2.25	0.00	0.00	—	0.00	0.00	3.75	2.00
OTC	Gaming and Technology (H)	GATI	5.00	7.50	2.50	50.00	13	0.00	0.00	8.00	3.00
NYS	Golden Nugget	GNG	13.75	14.25	.50	3.64	3	0.00	0.00	15.25	7.63
OTC	Hytek Microsystems	HTEK	2.50	2.63	.13	5.20	8	0.00	0.00	3.50	1.25
OTC	Int'l Game Technology (H)	IGAM	13.75	16.88	3.13	22.76	29	0.00	0.00	17.38	7.13
NYS	Jackpot Enterprises (H)	JACK	12.50	15.38	2.88	23.04	17	.20	1.30	15.75	6.75
OTC	Linear Instruments	LINR	1.06	1.13	.07	6.60	—	0.00	0.00	1.75	.63
OTC	Major Video Corporation (H)	MAJV	9.38	14.38	5.00	53.30	46	0.00	0.00	14.88	3.13
OTC	MarCor Development	MAAR	2.13	2.75	.62	29.11	—	0.00	0.00	4.38	1.75
OTC	Migent Software	MGNTF	1.25	1.25	0.00	0.00	—	0.00	0.00	6.75	1.00
OTC	Nevada National Bancorp	NENB	7.38	7.38	0.00	0.00	d	0.00	0.00	7.75	6.25
NYS	Nevada Power	NVP	20.25	21.00	.75	3.70	11	1.48	7.05	22.25	16.38
NYS	Sahara Casino Partners	SAH	8.50	8.25	-.25	-2.94	—	.75	9.09	9.00	5.75
OTC	Sahara Resorts	SHRE	17.50	17.50	0.00	0.00	—	0.00	0.00	20.00	6.50
OTC	Sands Regent	SNDS	9.25	10.00	.75	8.11	10	0.00	0.00	13.75	7.75
NYS	Showboat Inc.	SBO	10.00	8.88	-1.12	-11.20	—	.28	3.15	16.75	6.13
ASE	Sierra Health Service	SIE	2.38	2.13	-.25	-10.50	—	0.00	0.00	4.63	1.63
NYS	Sierra Pacific Resources	SRP	21.75	23.00	1.25	5.75	11	1.76	7.65	26.00	18.00
NYS	Southwest Gas	SWX	20.00	21.50	1.50	7.50	10	1.34	6.23	25.88	18.25
OTC	Sun State Savings & Loan	SSSL	6.13	7.50	1.37	22.35	8	0.00	0.00	10.75	5.25
OTC	Sunworld Int'l Airways	SUNA	.09	.13	.04	44.44	—	0.00	0.00	2.38	.06
OTC	Syntech International	SYNE	3.38	3.75	.37	10.95	25	0.00	0.00	9.38	2.88
OTC	United Mining	UMIN	.19	.19	0.00	0.00	—	0.00	0.00	.88	.06
OTC	Vacation Spa Resorts	VSPA	.06	.06	0.00	0.00	1	0.00	0.00	.13	.03
OTC	Valley Capital Corp. (H)	VCCN	28.00	32.00	4.00	14.29	—	.80	2.50	33.00	19.00
OTC	Vanderbilt Gold	VAGO	4.38	4.13	-.25	-5.71	—	0.00	0.00	8.63	3.75
OTC	Vita Plus Industries	VPII	.38	.38	0.00	0.00	d	0.00	0.00	2.38	.38
OTC	Westar	WSTR	.53	.47	-.06	-11.32	—	0.00	0.00	1.63	.44
OTC	Xebec	XEBC	.28	.31	0.03	10.71	d	0.00	0.00	.38	.22

KEY: (H) = New high in period; (L) = New low in period; d = Deficit; NYS = New York Stock Exchange; ASE = American Stock Exchange; OTC = Over The Counter; (s) = Reflects stock split

Compiled by Nordby International, Inc. This information is obtained from sources believed to be reliable but cannot be guaranteed to be completely accurate. This information is subject to change without notice.





Oak Hill is offered at $3,500,000 (terms negotiable; trades will be considered). Broker participation welcome.

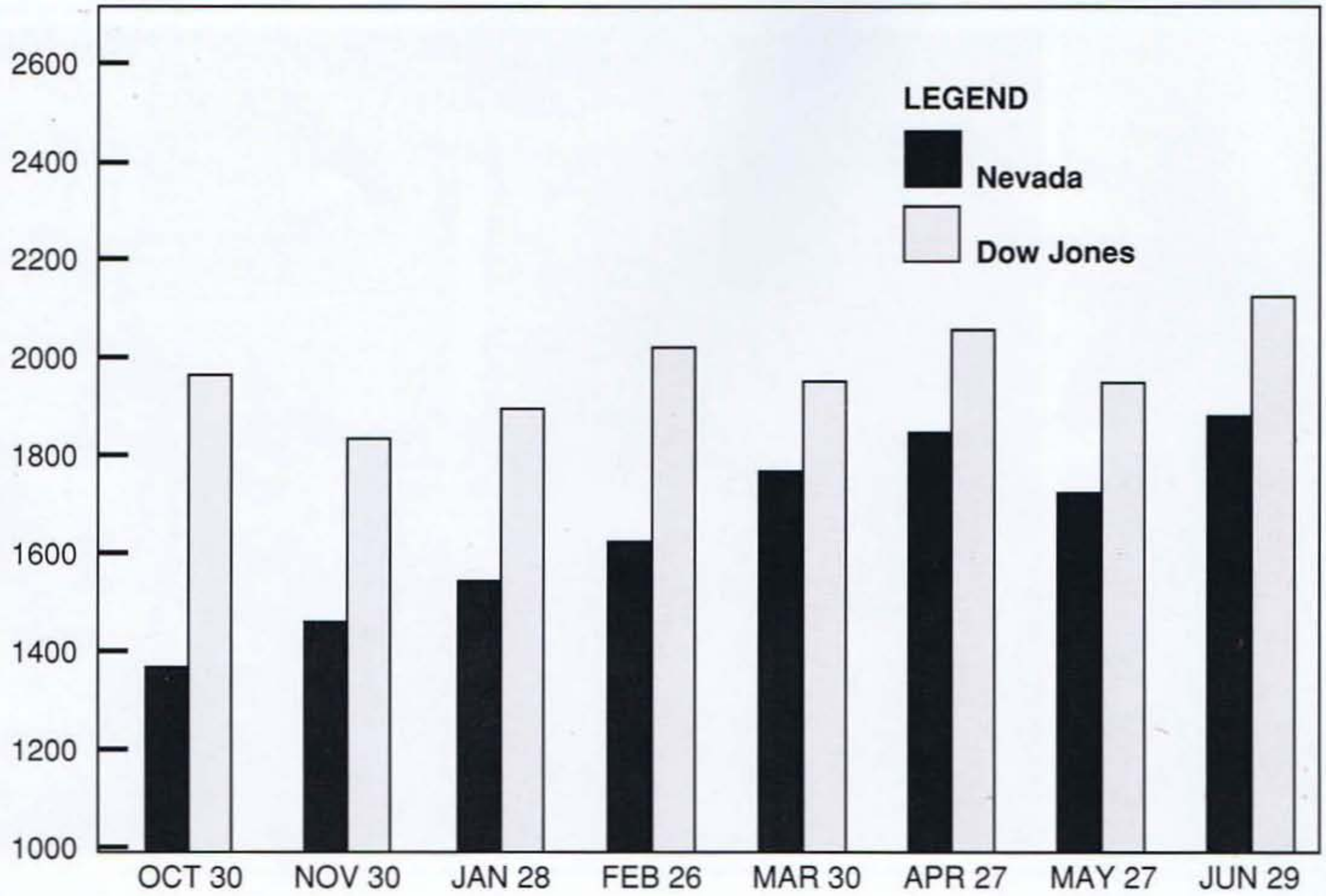
HISTORICAL OAK HILL MANSION

The magnificent Oak Hill Estate in Hagerstown, Maryland is historic both in a sense that it was once the summer mansion of William T. Hamilton, a prominent citizen of the town who served his state in the 1800s as Congressman, United State Senator, and as Governor. Further testimony to the mansion's claim to history is a commemorative tablet set in the oval driveway, at the site where Henry Clay and Andrew Jackson spoke in 1850 from slave blocks on the property.

In 1985, Las Vegas businessman Lyle Brennan purchased the mansion for a temporary second home. He subsequently put 25 craftsmen to work for more than a year, and they refurbished the home to a glory quite beyond its former elegance.

The good news for the public is that the home is for sale once again. It is completely furnished, decorated, and appointed with dishes, linens, and the like, and ready for immediate occupancy. Not far from the nation's capitol, the Oak Hill Estate just may your answer to that dream of owning the perfect home.

Contact Bette Carter
(702) 735-7003
First Interstate Tower
3800 Howard Hughes Pkwy
Suite 120
Las Vegas, Nevada 89109



CLOSING QUOTES FOR BAR CHART (Above)

Date	Nevada	Dow Jones
10/30	1386.85	1993.53
11/30	1468.26	1833.55
01/28	1560.98	1930.04
02/26	1625.12	2023.21
03/30	1793.89	1978.12
04/27	1834.41	2047.91
05/27	1727.14	1956.44
06/29	1840.99	2121.98

MARKET DIARY

Advances	21
Declines	6
Unchanged	7
New Highs	6
New Lows	0

MOST ACTIVE ISSUES

Largest Dollar Gainer	Circus Circus	$6.37
Largest Dollar Loser	Showboat Inc	-$1.12
Largest Percentage Gainer	Major Video Corp	53.30%
Largest Percentage Loser	Elsinore Corp	-12.50%

INDICES

	Close 05/27/88	Close 06/29/88	Net Chng in Period	Percent Chng in Period
Nevada Business Journal Stock Index	1727.14	1840.99	113.85	6.59
Dow Jones Industrial Average	1956.44	2121.98	165.54	8.46
N.Y.S.E. Composite	143.66	153.13	9.47	6.59
Standard & Poor's 500-Stock Index	253.42	270.98	17.56	6.93
NASDAQ OTC Composite	366.66	391.66	25.00	6.82