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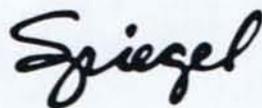
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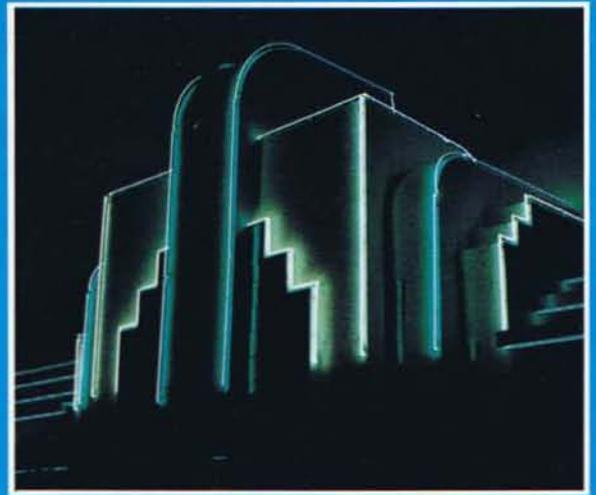


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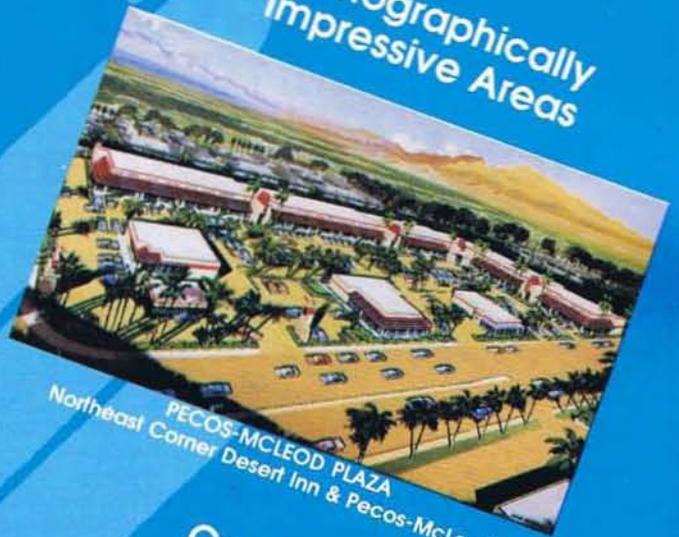
# Kirkelie developments PRESENTS



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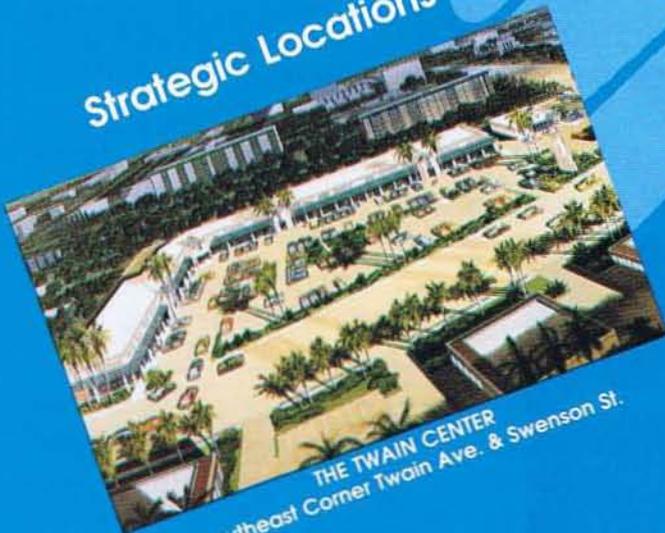
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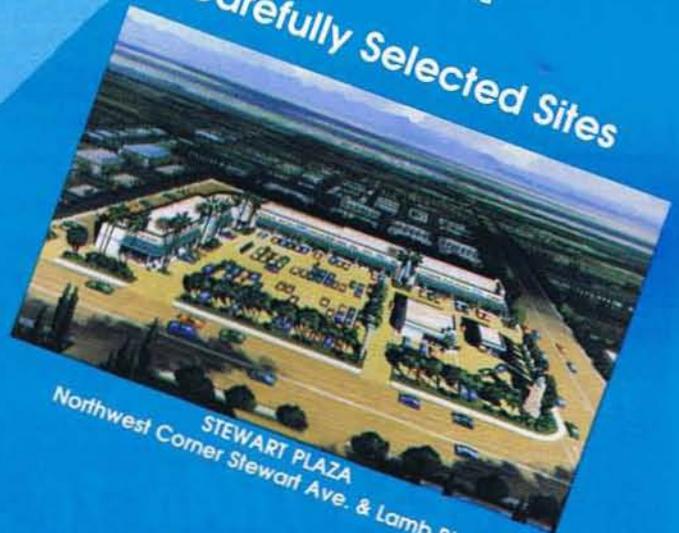
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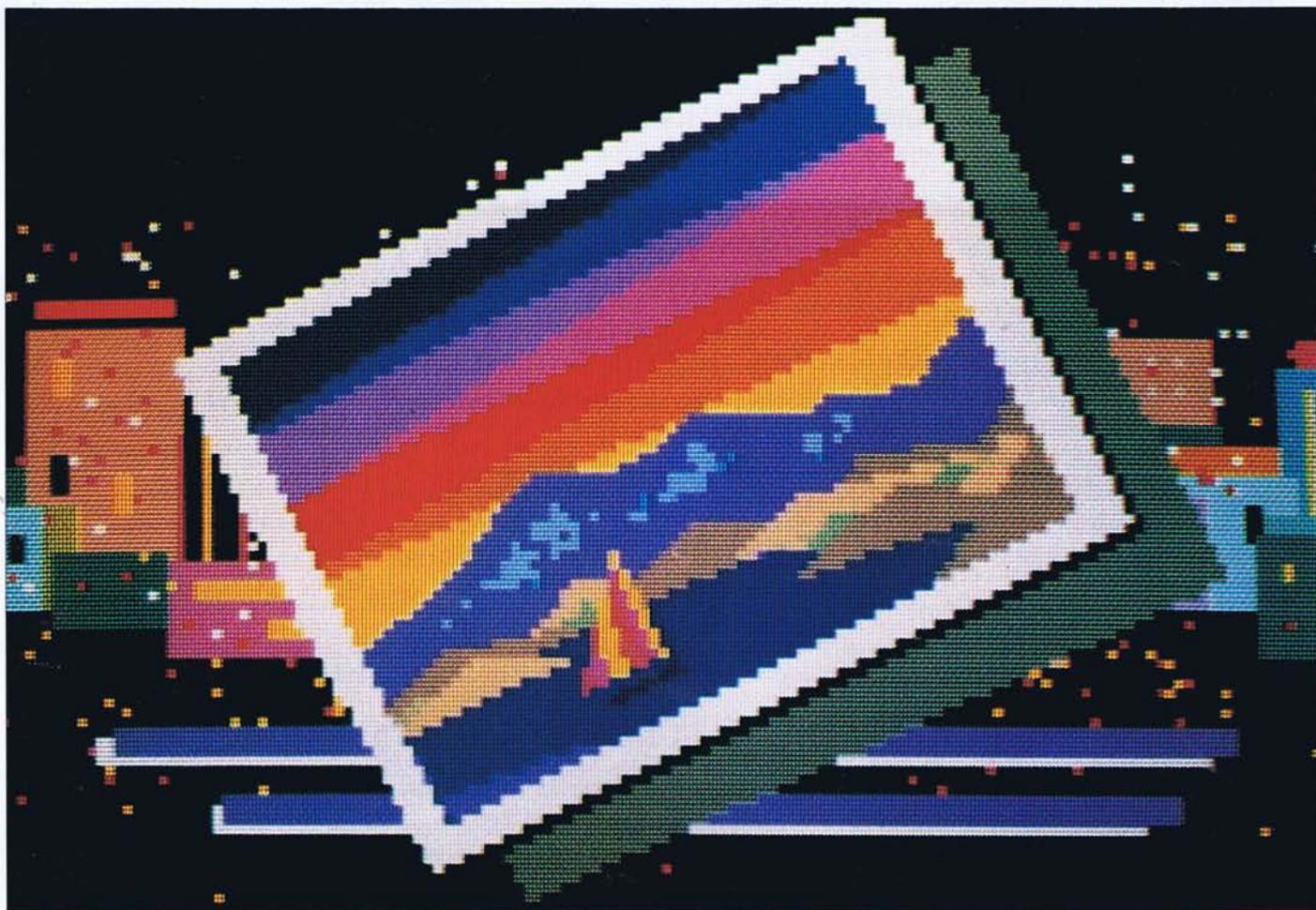
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*On the Cover:*  
*Greg Kirkelie of*  
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*Photo by Michael E. Meagher.*

## New Art Technique Adorns Centel Directory



Las Vegas Ron C. DeLelles' brightly-colored, high-tech symbolic view of Southern Nevada, depicted in a new technique, adorns the cover of a half-million Central Telephone directories being delivered to businesses and homes in Southern Nevada this month.

DeLelles' computer-generated graphic, entitled *Light Display*, was selected this spring in the Sixth Annual Centel Directory Cover Competition over a record 111 entries. His photograph appears on the back cover along with the runnersup and their entries.

The 11-year Las Vegas resident and graduate of the Art Institute of Pittsburgh chose three high-profile aspects of the theme, *The Real Southern Nevada*, for his work — tourism, the Las Vegas skyline and recreation. Recreation is depicted by a sailboat on Lake Mead inside a postcard format, common to tourism, which in turn is superimposed over a graphic interpretation of Las Vegas at night.

Second place in the competition went to Mark Andrews and third place honors was awarded to Donna Beam. Carmen Simpson received an honorable mention.

Each year, Centel uses the entry fees to benefit a local non-profit organization. The beneficiary of this year's competition was the National Kidney Foundation of Nevada. The Foundation's representative, five-year-old Isaac Williams, was on hand to accept a check for \$1,200 on behalf of the organization. The funds will be used to help kidney patients purchase medication.

Since the competition began in 1983, more than \$6,000 has been donated to non-profit organizations in Southern Nevada.

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The Kirkelie Team pictured from left to right: Top row, Carleen Trotta, property manager, Nevada; Rhonda Panciro, leasing director, Nevada; Pete Boyd, project coordinator. Seated, Gregory E. Kirkelie, owner Kirkelie Developments; Steve Swisher, architect.

## Kirkelie Developments: Building for the Long Term

by Vicki M. Bertolino

Quality. Cost-effectiveness. Detail. Creativity. These words are peppered throughout the conversations of Gregory E. Kirkelie of Kirkelie Developments and Steve Swisher of Swisher and Hall Architects. But, then, that's why these two builders joined forces in Southern Nevada: they wanted to develop a creative shopping center that was cost-effective for tenants yet built with detail and quality craftsmanship that would last for the long term. And it had to be situated in a prime, stop-lighted corner location.

They not only developed one such center, but three in Las Vegas valued in excess of \$15 million, with 20 more on the drawing board to be developed over the next five years. Their

first three include The Twain Center at Twain and Swensen, Pecos-McLeod Plaza at Desert Inn and Pecos-McLeod Rd., and Stewart Plaza at Lamb and Stewart Avenue.

Kirkelie Developments' intermediate plans are to open up an office complex here, and their projections for the next five years are to bring three to four new shopping centers on line each year.

"We're in the process of acquiring several properties in the northwest area of Las Vegas, but we are not limiting our search to any one area at all," explained Kirkelie. "We are open to any area that fits our criteria of high traffic, central location, high visibility, stop-lighted corners."

Kirkelie began developing mini-shopping

centers in Los Angeles during the early 1980s. Unfortunately, according to Kirkelie, the Los Angeles market became an overbuilt situation subject to many new governmental restraints designed to discourage growth.

"Basically, L.A., because of their sewage system, adopted a moratorium on the ability to obtain permits in the manner in which we had been accustomed to obtaining them. They created a complicated formula which delays the granting of permits for six months to a year, and you can't do that in development."

Although this moratorium came into effect in early 1988, the restrictions that discouraged growth started being implemented about 1986, reported Kirkelie who added: "The restrictions got to be so onerous that we said let's start looking at other markets."

That's when Kirkelie Developments came to Las Vegas. One of his primary considerations for selecting Southern Nevada was that the governmental costs in Las Vegas are lower than in Los Angeles.

"License and building permit fees, all of the other permit fees, and even the process of getting approval are just much more expensive in California than here. And the time delays experienced in California's large metropolitan areas are substantially longer than the developer experiences in Las Vegas where the governmental mechanism, the permit process, the licensing, all of those factors are designed to facilitate and encourage development rather than discourage it, as appears to be happening in Los Angeles, particularly for the smaller developer," Kirkelie observed.

Another reason for choosing Las Vegas was that its building requirements have a "certainty and quick determination that are just unmatched in California, where developers are forced to work through government red tape."

One of the things that always concerns a developer, points out Kirkelie, is what ratio of parking should he put on his center vis-a-vis buildings.

"In Los Angeles, it's very difficult to determine because they have a very elusive standard. In Las Vegas, you have a clearly defined standard for designated shopping centers: 5.5 spaces per thousand square feet. That's a certainty the developer needs when he's raising and investing the dollars for his project. Another certainty is a much quicker readout. You can go through and get your building plans and zoning in two months, if you're lucky, and in a maximum of three months. In L.A., you wait a year which ties up your money, ties up escrow and makes it difficult to get investors."

In determining which architect to use in Las Vegas, Kirkelie admits he spoke to a lot of developers and builders in the area.

"We explained that we wanted to build quality in our centers, that we didn't want an architect who was just going to give us the

routine. We wanted somebody with innovative designs, a very creative architect, and Steve Swisher's name kept popping up with the people we respected."

Although Swisher and Hall Architects met Kirkelie's three primary criteria of having the same concern about quality as he had, developing innovative designs and possessing creativity, Kirkelie still took a month before awarding the contract to this architectural firm which has been in business for five years.

"Let me tell you something else that really stuck out in our mind because we looked at Steve for a month before we decided to go with him and we were looking at other architects, too. I brought in our project coordinator, Pete Boyd, who's been with me for almost four years now. Pete came in and we looked at the detail of Steve's plans as compared to the detail that we have been used to getting out of our California architects. It was as different as night and day. Nobody does greater detail than Steve's firm," praised Kirkelie.

"For example, Steve prepares detail on a tenant's sheet that most architects never get into. All the tenant has to do is go down to Building and Safety, pull out his detail sheet and he has a plan that he can get approval on for his tenant improvements contract, like that," Kirkelie said, snapping his fingers.

"With our other architects, every tenant had to go out and get his own set of plans drafted in order to do typical tenant improvements; this is ridiculous. Steve's detail was a major time and money saver to us. That was the final selling point."

According to Steve Swisher, most architects have been trained to go with the mindset of the average developer, which is to complete the project as cheap as you can and just give them the minimum governmental requirements.

"That's the mind of a lot of architects out there who have been trained to think like that because of their work with developers. Our approach to business has always been that you can do quality work within a developer's restraints, which means things have to work for the market place and a lot of architects use that as an excuse not to do good design work. We see that as an opportunity to be creative with our design work," explains Swisher.

When Swisher told the developer that if he wanted to keep his costs down and capitalize on his air conditioning units, he should install costly double pane windows, Kirkelie never hesitated: "You got it, I told him. Our frame of mind is if that's needed for the desert climate here to keep our triple-net charges down and to keep the tenant costs down so we can encourage people to come to our center, then we'll do it regardless of the cost. Once people know how cost-effective our centers are for their business, everybody's going to want to go in,

*"For every one dollar investors put up, it is costing only about 10 cents off the top in the development ... By the time construction is completed, that building should be worth \$2 for every one dollar invested."*

and that's one of our big selling points: the quality and the economy our centers offer."

Kirkelie points out that he's competitive in the market place as far as rents go since all of the prime location centers are \$1.35 or \$1.45 a square foot.

"It is going to go up, too, but we are not raising our prime foot rate. What we're doing is trying to get our centers filled up quicker than those other guys you see with white elephants sitting out there on the streets. Take a little less out for yourself by adding quality, but maintaining competitive market rents, and you will end up with a full center. You see, we want to take down our permanent financing and continue holding them; we want to keep our investors moving every two years into new projects, so it is important for us to be competitive and offer more quality in what we have," Kirkelie insists.

Greg Kirkelie wasn't always a developer. He started out as a tax and corporate attorney who did a great deal of writing and teaching for the University of Southern California's Law Center's Advanced Professional Program and Tax Institute.

"It took about five years for me to make the transition from lawyer to entrepreneur," Kirkelie explains.

Kirkelie had been a partner in the Beverly Hills, Ca, law firm of Erin, Cohen & Jessup and had been involved very extensively in a tax and corporate law practice, representing several major real estate developers who were national and regional exchange-listed clients. In that process, he was also representing some private developers and developing automotive centers in Southern California.

"Then, almost overnight, what happened was I got yanked into the entertainment area and in 1977 I ended up negotiating the rights

for a company on the east coast for the Star Wars line of characters. That took me out of my corporate and tax practice and directly into entertainment. I became what many in the industry referred to as the world's foremost expert on what is called celebrity merchandise licensing. When I picked up the merchandise licensing rights to Elvis worldwide when Elvis died, working very closely with Col. Tom Parker for three years, I was no longer practicing tax and corporate law at all."

Kirkelie explained that the "only reason this has application to my present career is that when you are dealing with entertainment properties and traveling as much as I did, there comes a time when there is burnout and by 1981, I was burned out. I was also facing a crossroads in my life: I could either go back into the practice of law full-time as a corporate and tax attorney, or go out on my own (which I always had dreams of doing) and establish my own development business, developing real estate. I already had a lot of properties at this time, so I chose the latter."

An even more important reason his background is relevant is that it helped form his philosophy for developing privately owned shopping centers as opposed to centers owned by large public syndications. When Kirkelie entered the development business, his corporate and tax background enabled him to do so with specialized knowledge of handling public and private offerings to investors.

"As an attorney, I used to deal in both public and private offerings. When I saw how much came off the top with your public offerings of real estate deals, I said, think of what you could do for the private sector if you go out there and offer private offerings where you didn't have to take so much off the top for the underwriters, the salesmen, the accountants, the attorneys. By the time you are done, depending upon the size of the project, you are going to have 20 to 40 percent coming off the front-end, and the law allows this," he pointed out.

This front-end money doesn't even get into the construction of the project, so what the investor ends up with is only 60 to 80 cents out of every dollar he puts up going directly into that project.

"After I've paid promotion and acquisition fees, my accountants have been paid, my attorney has been paid, and all the salesmen have received their eight to 10 percent sales commission, I end up with maybe only 70 cents on the dollar that I initially invested. For me to get my money back, I've got to let that building appreciate by 30 cents, then to make any money, it has to go above that; and if I'm to get a 40 percent return, I've got to double my net direct investment in the project.

"Usually an investor has to wait five to seven years before making any significant return on a publicly syndicated investment because



with public investor-owned centers, developers will start selling off these projects generally between the fifth and seventh years. In the interim, the investor in a public syndication usually can only expect a cash-flow return of one to two percent a year. This is return back to the investor?" Kirkelie asks.

He compares this publicly syndicated center to his own privately syndicated centers where his investors can usually immediately double their one dollar investment to two dollars if they chose to sell after only about two years, whereas the public syndicator in the same time frame can sell and get about 70 cents back, losing perhaps 30 cents out of every dollar.

This is due in large part to how Kirkelie Developments is set up, which is, according to its founder, "different from other companies. I started out the same way a lot of other developers do by going out and hiring general contractors to complete the projects and so on. I learned very early on, though, that such a route increases the costs of the project and results in time delays over which you have no control."

Kirkelie Developments is a fully integrated development company. "We go out, find a vacant piece of land (with no building on it), purchase that site, meet with our architects and get the necessary zoning, conditional use permits and building permits (or whatever else is necessary) to begin construction of that building," states Kirkelie.

They have an independent leasing department that is out there at the same time construction is underway leasing space in the project. And they have their own construction

company, Kirkelie Construction Corporation, licensed in both Nevada and California, so they are able to control both the timing and costs of their projects.

"This is a very important element which many developers lose control over. That's why we can put in quality like concrete parking lots, which cost twice as much for other developers to put in. We can cut that cost down because we control it and that is our area of expertise. The critical thing is we control the timing and therefore the costs," Kirkelie emphasized.

They also control the day-to-day management of each shopping center through their main headquarters in California and their Las Vegas office located in The Twain Center.

"Our management company also manages the planning, projections and analysis of our projects. That's Kirkelie Developments, the overall controlling arm under which each of these different subfunctions operates."

The benefit of having a wholly integrated development company is that the investor gets the best return on his dollar without having it being siphoned off with a lot of other different services being involved in it, like a publicly syndicated center has.

"We are the owners of these centers and we don't put them out on a public exchange or sell them to the public at large. We are now selling interests in our projects to small groups of investors, maybe one investor up to 25 investors. Generally I like investor groups of between five and 10, max!" Kirkelie stresses.

"When I go into a project, for every one dollar my investors put up, it is costing only

about 10 cents on the dollar off the top in the development which leaves approximately 90 cents on the dollar actually going towards the construction of that building. By the time construction is completed, that building should be worth \$2 for every one dollar invested, which is an immediate return on his money if we chose to sell the building after two years."

That's the reason Kirkelie got into this business, so the small investors could get a bigger return on their investment; but you have to limit it to a small group of people to be able to do this and you have to know that the investor wants to go out and invest in future projects.

"My projection is to get the investor's dollar back to him tax free within a two-year period. The law allows that, even under the new tax laws. It's what they call non-recourse permanent financing with an unrelated third party such as a bank, savings and loan or insurance company," explains this former tax attorney.

This means that Kirkelie can take down permanent financing, pay off the construction loan, get his investor's dollar back and then take that dollar (which is coming back to him tax free) and invest it in another shopping center. As Kirkelie points out: "Under the new tax law, in order to have this complete shelter, you need to put it into the same type of investment, so we take the investor's returned dollar and flip it into another center, either mine or somebody else's, and as long as the investor makes a qualifying reinvestment, he can receive these financing proceeds back tax free."

Investors in public syndications, on the other hand, generally cannot look forward to this favorable tax treatment since their projects are usually structured to be sold off fairly early. The investors are going to get taxed because they either have a cash flow that is taxable or they have earned profits on a sale of the project which are taxable.

Another major difference between Kirkelie's philosophy and that of publicly syndicated developers is that Kirkelie is holding his developments for the long term. The key here is that the investor is still making money on his initial investment and all subsequent investments with Kirkelie Developments because the investor is still an owner in those other projects; he's just using his initial investment approximately every two years by pulling it out through permanent financing to re-invest in other shopping centers.

"In a ten year hold period, the first project he invests in will probably be worth three times what he puts into it; the second one is going to be worth very close to that," reports Kirkelie, who adds that when he solicits investors he tells them that they will still be an owner in the first project whether they place their profits in another center or not because Kirkelie does not want mass turnover of property, but rather long term owners.

Not only does he plan to get his investor's money back with a profitable shopping center in two years, he has appreciation building up every year because his rental rates are designed to increase every year.

Kirkelie's investors usually start out with a minimum investment of \$25,000, and then they can move up to the millions, depending upon their capability. "Normally, the investor starts out small and by the time he sees what is going on and how his initial investment all comes back to him tax free and what he can build up, he gets going bigger and bigger and bigger," Kirkelie beams.

He sets up limited partnerships with a select group of investors. In every partnership he sets up in Las Vegas, Kirkelie always includes Las Vegas like realtor Judy Ness who was once secretary to former Nevada Governor Grant Sawyer, auctioneers Bob and Guy Deiro, and Dick Taylor. Though Kirkelie plans to open up his limited partnerships to Japanese investors, most of his investor-owner groups are individuals from California and Nevada.

Kirkelie's main goal has "always been to go in and build an economically viable, quality project from the outset, because we're building for the long-term. Most of your developers out there are building with the purpose of disposing of that property within the first five years. The return has to get back to the investor, so they are not going to build in the quality that we build in."

Kirkelie also recognizes that most of the shopping centers today require tenants to pay triple net charges covering the shopping center's real property taxes, insurance and maintenance-utilities operational costs. To help "significantly reduce these triple net charges, we incorporate many quality features into our centers," like concrete parking lots and drives, three-phase electricity, and unique architectural designs.

"Our store fronts cost substantially more than most any other strip center you will see out there because we incorporate into each center an extensive tiered canopy, with multi-layered neon, which cost over \$160,000 on our Twain-Swenson Center alone. That's an enormous cost just for a fascia, yet we feel it is critical, especially when tenants pay the rents they do today and expect a first-class attraction to bring in their customers."

These canopies are not only attractive and provide shade, but because they are louvered, as opposed to a solid covering, they permit an escape for the heat that normally builds up underneath an overhang; and, by keeping the heat away from the store fronts, they provide a climate-controlled environment for tenants.

Another quality feature found at a Kirkelie Development is a five-layer, 20-year bondable roof. "From my experience, I have found that most other developers get a two-layer, five-

year standard roof which is why so many of our small shopping centers here locally don't last, especially with our enormous changes in weather," noted Swisher.

Even though concrete parking lots and drives are going to run twice as much as an asphalt lot, they are also going to save the tenants enormously over the period of that shopping center because tenants will not have to re-seal and replace the parking lot every three to five years. This is especially important in Las Vegas where extreme temperatures literally destroy a blacktop drive and parking lot.

"What happens with asphalt is that it actually buckles with changes in temperature and when your tires hit the asphalt, they go boom-boom-boom where trucks and other vehicles have made gouges, and that is really hard on your car. Tenants pay constantly to keep these parking lots and drives in repair. They don't have to do that with concrete. That's why we pay double the price to get the concrete in there, but that concrete is going to last and we don't have irate tenants coming to us when they get hit with these major bills every two or three years," explains Kirkelie.

Although not required by law since these centers are not high rise buildings, each structure in a Kirkelie development features fire sprinklers because it cuts the fire insurance rate down by half, and three-phase electricity because it cuts the electric bill in half.

Steve Swisher admits he likes to work with people who essentially build the centers to

own them because then you don't get developers coming in trying to cut corners and compromising quality.

"As architects, we always prefer to work with people who are building to own because the developer knows that he or his tenants have to pay for the maintenance and upkeep and the things that are going to happen 10 years from now, so he is willing to build quality into his project in the beginning."

Swisher added that the unique thing about these shopping centers is not just their quality and cost-effective features, but that it gave him a chance to get out of the red-tile-roof-and-tan-buildings syndrome that some people have come to demand in Southern Nevada.

"Professionally, we set out to do the best job we can do. You always appreciate the joy of what you do most when you work with people who are interested in having you do just that, which has been the basis of our relationship with Kirkelie Developments," Swisher said.

Greg Kirkelie is pleased with the enormous response they are getting from Swisher's design. "Our other designs have never had this effect. Our other designs have never been as extravagant as this look is here. Not only that, but once the tenants go in here, they are having very good success with their businesses and they want to establish facilities in our other locations, so these designs have also proven to be a very good sales strategy; it's really done something and we are truly amazed at the response this is getting." ■



## Japanese Investors: Will Their Current Buying Trend Continue?

by Vicki M. Bertolino

*Greg Kirkelie of Kirkelie Developments predicts that Japanese investment purchases in the U.S. and Nevada will accelerate.*

Foreign investment in the United States is booming. This trend is finally overflowing into Nevada with the sale of several prominent hotels to Japanese investors and the development of many new shopping centers and office buildings by Lebanese, German and other foreign investors.

In a recent U.S. Commerce Department release, figures show that since 1979, foreign investments within the United States have increased by 350 percent, whereas United States direct investments abroad has grown by only about 60 percent in the same period.

Many people fear these foreign investors, yet others welcome them, encouraging foreign investments, especially in Nevada.

Steve Swisher of Swisher and Hall Architects in Southern Nevada, has worked indirectly with an Asian-backed company and he believes that Asian developments are going to be great for Nevada.

"Our gaming really doesn't bother the Asians because gaming is culturally acceptable to them; they don't see anything wrong with playing cards or games of chance. There's not a problem with that among the Asians as there has been with some of the national American companies with whom I've dealt," he observed.

Nevada-California developer and founder of Kirkelie developments, Greg Kirkelie, notes that there is just "so much competition right now from foreign investors coming in here and buying up property, it is getting to the point where it is difficult to compete with those people. My feeling is that within the next five years or so, we are going to see some backlash in controlling the foreign investors' ability — without at least some participation of American partners — to invest on their own in these properties."

Today, the Japanese have overshadowed the Eastern investors from Iran and those other oil nations who came into the Los Angeles, Ca. market specifically during the latter part of the 1970s.

"I think the Japanese financial base is so strong that in the future there may be an effort made at the national level to restrict the ability of foreign investors to purchase United States land, as we have seen in other countries. Right now, the Japanese and other foreign investors own about one-half of the major commercial areas in Downtown Los Angeles, and that's a fact of life," observes Kirkelie, whose main foreign connection is with Japanese communities.

Since 1977, when he was catapulted from his corporate and tax law firm in which he was a partner, directly into the entertainment arena, Kirkelie spent five years flying around the world.

For much of that time, Kirkelie worked exclusively with Dentsu, Inc., of Japan. They were the world's largest advertising agency back in the late 1970s and early 80s. They still control 90 percent of the prime time television advertising in Japan.

"Dentsu, Inc., is a very powerful, old-line advertising company. They have a joint venture arrangement with Young & Rubicon here in the United States called Dentsu, Young & Rubicon which was formed in the early 1980s. They are still in existence and expanding in the United States. I used to procure entertainment

talent for Dentsu clients," Kirkelie explained.

According to Kirkelie, the Japanese like their children to have exposure to American home environments because they are so family oriented in both their personal and business relationships. That's why a few years ago he started the tradition of opening his home to a Japanese child of one of the company executives he represents.

"These are basically teenagers of high school and college age. It's not an exchange program," explains this father of two teenagers: Carrie, 18, and Dan, 16.

"I just open my house and they know it is available. This last year, I took in the niece of the manager of the Japan External Trade Organization (Nagano Section), and she stayed for about a month and a half. Two years ago, I took in the daughter of one of Dentsu's head creative guys. These are just contacts I have built up in the Japanese market," Kirkelie casually adds.

Kirkelie feels that the Japanese are coming into the United States because of the favorable value of the yen compared to the dollar. "The cost to live in Japan is very expensive; to get a little condo in Downtown Tokyo could run you a million dollars. I know several people there now whose rent is exorbitant even though they live two hours outside of Tokyo where they commute daily to work."

Kirkelie noted that a cup of coffee in Japan is \$4, a honeydew melon is \$60, and a steak runs from \$60 to \$100. However, the annual household income in Japan is \$40,000 which is well above the U.S. average of \$21,000.

With respect to the purchase of real estate, there's a major difference between the Japanese market and what they're able to purchase there versus what they could purchase here. To them, the market in the United States is very, very cheap. "The Nevada market would be extremely cheap to them compared to what they are paying in California and especially in Japan," Kirkelie emphasized.

Until recently, the Japanese only looked at established, well-known high-rise buildings in major metropolitan areas. Today though, the Japanese are becoming much more open-minded about other types of facilities and areas; they're beyond just the high-rise complex, they're beginning to invest in industrial complexes and commercial sites.

"Prospective investments don't have to be the big, brand-name locations in major metropolitan areas anymore. The Japanese are looking all across the country right now," points out Kirkelie.

Should we fear Japanese investments in our country?

"No!" responds Kirkelie quickly.

"I think Japanese and foreign investments, just by the nature of what you see in Downtown L.A., can add a tremendous amount to the accelerated growth of our economy."

However, Kirkelie stresses that, "We have to be very careful to make sure that when we take in those Japanese businesses that they do give us a commitment to manufacture those products in this country. We just can't have office buildings built here; we've got to bring manufacturing facilities into the United States, into Nevada; and if they can manufacture here, we can help to stabilize the import-export difference we have now and cut down the deficit."

"It will also create more jobs," he adds.

Just how important are Japanese investments to the current economies of states like Nevada?

"I think that over the next ten years, Japanese investments in Nevada will become a tremendous asset in establishing our state internationally. If we can encourage the Japanese to invest their large economic base here in Nevada, I think you will see our growth rate accelerate at a much more rapid pace than it's already experiencing.

"As long as Nevada can provide the employment base and right incentives for the Japanese to come in here, they are going to be here; it is just a matter of time. From just my personal Japanese contacts, I have discovered they are very interested in this area right now, and they want to stay on the West coast."

Though about five percent of his investors are Japanese, Kirkelie admits he hasn't even tapped the Japanese market yet. To tap this market properly, Kirkelie knows he has to play it very low key.

"You don't go in to sell the Japanese; the Japanese are sold on you. A lot of my close Japanese associates have asked me to locate investments in the areas in which I'm involved. I've got a brochure from a Japanese company that wants me to look in the Las Vegas market for an industrial site. I'm currently working with the Nevada Development Authority on this."



*Pictured from left to right: Greg Kirkelie, owner Kirkelie Developments; Steve Swisher, Swisher and Hall Architects; Pete Boyd, project coordinator.*

Today, many state and local governments are courting foreign investments, especially the Japanese, for the local jobs and economic health it can bring to a community.

Even the Nevada Development Authority and Clark County Commissioners have been encouraging Japanese and other foreign investments to help diversify Nevada's economic base. When County Commissioner Karen Hayes visited Japan recently, she commented she was impressed by their high standard of living and rate of employment.

Yet it is important for these agencies to get one Japanese company to make the move to the area because, according to Kirkelie, "Once one Japanese company makes a move, others will follow. The key is establishing that one Japanese industrial complex in the area, and then, you will see others following."

Kirkelie explained that this stemmed from the fact that no Japanese likes to make that first decision.

"Once they've done their homework and they have confidence in the people behind it and the move they are going to make, others will follow because they know it has been thoroughly investigated."

The Japanese have a reputation for making long-term commitments. When they go into something, it is deliberately and carefully thought out.

"Once they make those commitments, they are looking long-term," says Kirkelie, "they are looking for an even lower return on investment than we, as Americans, would look for. They prefer to hold on to their investment for the long-term appreciation and to realize the benefits over a longer time period than we would probably be satisfied with."

Kirkelie also sees the Japanese investment

guidelines expanding. The Japanese mind has always been trained to think in terms of "let me see it first." They like to see a building already built before they buy it. They have a tough time visualizing the completed building on a vacant piece of land.

"With the type of development I do, I go out and construct something from brick and mortar; I build up. When I go in, I have a vacant piece of land. For me, I know exactly what I am going to end up with because I've gone out there and done my homework; it's not the same for the Japanese. They want to step in here after I've built it and then buy it," remarked Kirkelie.

"I know the Japanese mind; I know they like to see that building, that shopping center or whatever structure there will be, on the ground before they invest. They have a difficult time conceptualizing the value that would be there if they were to build their own building."

That's why Kirkelie has never pushed them into any of his investments. But as they gain experience in the American market, they will expand out and start accepting these types of risks that they haven't been accustomed to in the past. They will be more educated in these areas and will feel more sophisticated the more they deal with American developers who help them develop in specific areas. They will start out small at the outset, then they will gradually build up when they see a return on their investment.

Once they've had that experience, Kirkelie believes they'll be looking for the high value, shorter term return on their investments like companies such as his can offer, because they will see that it can happen without anymore risk than they would encounter when buying a high-rise building.

## Tahoe Hotel/Casinos Unite to Boost Convention Draw

There is a new "team" playing at Lake Tahoe. The players are the four award-winning hotels that lie next to the lake that Mark Twain once called, "The fairest sight the whole earth affords." Caesars, Harrah's, Harveys and the High Sierra have come together to offer a blockbuster package of breathtaking scenery, meeting space, rooms, restaurants and entertainment.

"It was a natural marriage for our hotels," said Brad Spires, sales director for Caesars. "Individually, all four properties offer some ideal meeting enticements," said Spires, who has been Caesars' sales director for seven years. "But as a package, we become one of the premier convention spots in the United States."

Collectively, the four South Lake Tahoe hotels all located in a one-block area, offer more than 80,000 square feet of meeting space, 2,000 rooms and 25 restaurants. And if the some of the nation's top celebrity entertainment doesn't suit one's fancy, there is the excitement of the casinos and the pure recreational beauty of Lake Tahoe and the Sierras.

"We're a little more than an hour from Reno's Cannon International Airport," said Randy Carter, sales director at Harveys. Additionally, Lake Tahoe Airport is nearby and served by American Airlines.

"We're very accessible and we're right next to some of the world's best and most famous golf courses and ski slopes," Carter said. Carter has been with Harveys for three years and has been in convention sales for ten years. Tom Davis, executive director of sales and marketing for High Sierra, and Steve Lowe, sales director for Harrah's, round out the expertise that is offered by the four properties. Lowe has held his post with Harrah's since 1979, and Davis has worked for High Sierra since 1972.



Brad Spires

With Spires, Carter, Lowe and Davis, the convention planner gets first class hotels and four individuals with a combined total of 33 years in sales and marketing at the four Tahoe properties. "We don't just work up here at these hotels, we build careers," said Davis.

With this kind of tenure, all four sales directors have naturally gotten to know a good deal about all of the hotels. "We know each others' expectations and demands and that helps when we are setting up meetings and conventions," Davis said.

"Maybe in this day of fierce competition for meetings and conventions, the team we have formed is unique, at least that's how some people have described it," Lowe said. "But," he added, "the management of these four hotels understands that to compete, sometimes it's best to find common ground and then take on the outside competition."

Davis put it this way. "When you combine our hotels, you assemble one of the most impressive delegations of manpower and expertise available to meeting planners."

Talent, meeting facilities and Lake Tahoe. That's the message that the hotels want to deliver. Although the reputation of Lake Tahoe may speak for itself, the four hotels are

eager to point out some of the recreational aspects of the area. There are 18 first-class golf courses within an hour-and-one-half from the hotels. Edgewood, Lake Tahoe's premier championship course — rated one of the nation's best by *Golf Digest* — is literally across the street. There are five golf courses at the lake, all minutes from the hotels.

Other summer recreation opportunities include water skiing on the lake, hiking on some of the best backpacking trails in America, fishing and horseback riding. For the winter-month meetings, Lake Tahoe features Rand McNally's number-one rated skiing in the United States. Perhaps best-known for Squaw Valley, site of the 1960 Winter Olympics, and Heavenly Valley, site of numerous world cup events, the Tahoe region has 18 major alpine resorts that receive an average 40 feet of snow per season.

Randy Carter



## Convention News



Tom Davis

"To call skiing at Lake Tahoe a winter sport is a bit misleading," muses Lowe, an avid skier. "You can ski the slopes around here for five or six months."

In fact, all of the sales directors for the four

hotels enjoy skiing and the outdoors. They occasionally find time to discuss their recreational ventures around the lake during one of their regularly-scheduled meetings that focus on drawing new convention business to South Lake Tahoe.

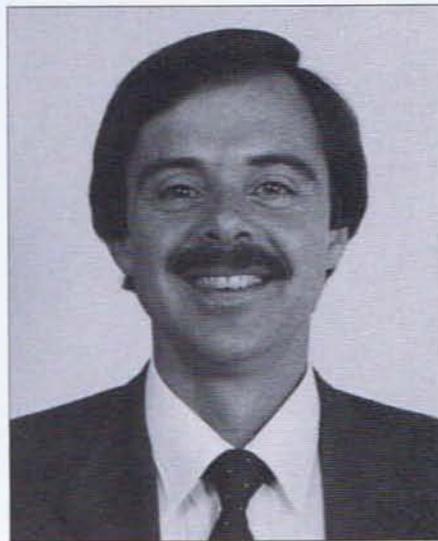
"Oh sure, we talk about skiing and Tom even gets a chance to brag about his downhill prowess," said Lowe. "But most of the time we're looking at ways to attract visitors."

Bringing in meetings and conventions is something Lowe, Spires, Carter and Davis have done well — individually and as a team. Recent major convention customers of the combined hotels include Unocal, New York Life, Xerox, Chevron USA, the California Association of School Business Officials and Northern Telecom.

"Those guys really put on a show," said Steve Wade, area manager for Unocal's western region. "The schedules were smooth, the arrangements were first-class and you really got the feeling that people working for the hotels were glad we were there."

Talent and Lake Tahoe. That's what the new team at Stateline, Nevada, offers.

"All of us believe strongly in the companies



Stephen Lowe

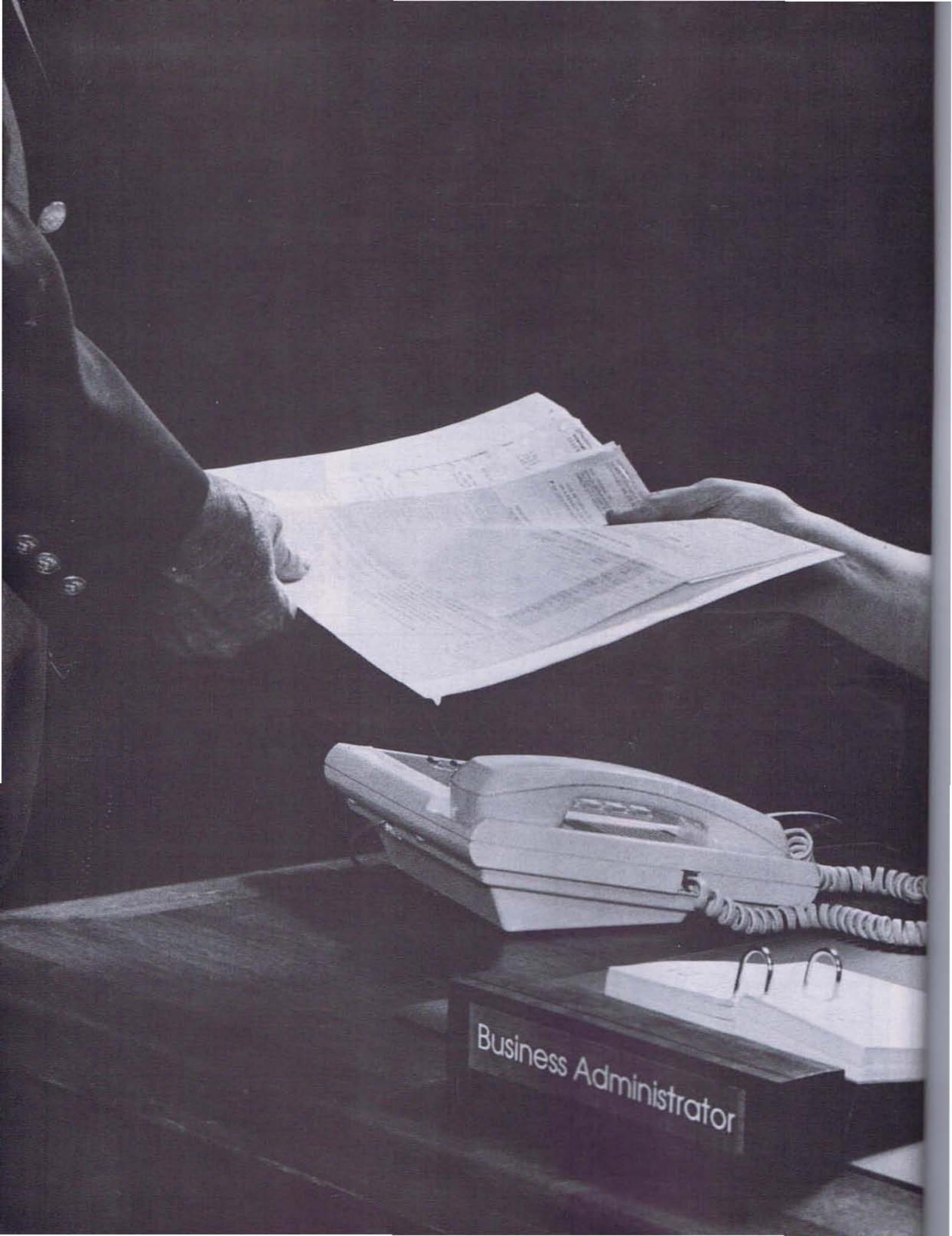
we work for," said Carter. "But we also believe in this partnership, and we've shown that we can work well together. That's what makes our package so strong. That, and Lake Tahoe, of course." ♦

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Business Administrator

# Who REGULATES Nevada's Business?

by Lynn Ryness

**A**n inquiry to the governor's office regarding state regulation of business brings a referral to the Nevada Commission on Economic Development. "There is very little regulation of Nevada business at the state level," said Jean Towne, associate with the commission. "That's one of the benefits of doing business in Nevada."

Her boss, Andrew Grose, director of the Economic Development Commission, went farther. "I would say there is no state regulation of general business in Nevada. Unless you want to discuss the department of taxation, employment security, the state industrial insurance system and agencies such as this. I don't know if I would consider those to be regulatory agencies, though."

Is there state regulation of business in Nevada? According to the research division of the Legislative Counsel Bureau, there are at least 50 state agencies who regulate business in Nevada. Every business, whether a sole proprietorship selling flowers on the street or a major corporation manufacturing hazardous chemicals, is subject to some degree of state regulation.

The regulatory agencies operate on the legal presumption that the business operator is responsible for knowing the regulations that pertain to his or her enterprise. Ironically, these agencies have adopted thousands of pages of regulations, some of them so lengthy and complex their own employees are at loss to know or understand them.

This does not suggest that the state of Nevada overregulates the business community. Nor does it suggest that the existing regulation is unwarranted. However, for the business owner to learn who at the state level regulates the particular business

*Like business everywhere, Nevada's business community receives regulation from several levels of government. How much of that regulation comes from the state level, and what state agencies are responsible for doing the regulating? Talk to a dozen different people and you're apt to receive a dozen different answers.*

and what regulations apply to it may be no simple task.

While there are more than 50 state regulatory agencies, the average business owner will be affected by four to ten. Virtually every entrepreneur in Nevada is regulated by Employment Security, the Department of Industrial Relations, the State Industrial Insurance System and the Department of Taxation.

In addition, the business owner, depending on the nature of the operation, will be regulated by a variety of agencies, boards, and commissions ranging from the Division of Financial Institutions to the Nevada Sheep Commission.

Nevada state regulatory agencies provide service as well as regulation. For the most part, Nevada business owners can call on the individual agencies and receive advice — sometimes formal training — regarding requirements and violations of regulations. But, before the business owner can call on the agency for advice, he or she must know what agencies to call.

According to Bob Bydalek, public information officer for the Employment Security Department, everyone should be aware that they are regulated by this agency and are required to pay unemployment compensation taxes.

"Employers have been required to pay the tax since 1937, so it's common knowledge that business is subject to regulation by Employment Security," Bydalek said. "Everyone knows about it and few people try to evade it."

According to Economic Development Commission Director Grose, unemployment insurance is required throughout the 50 states. While the Commission commonly refers businesses to the employment security department, even newcomers to Nevada ordinarily expect that this state agency will

regulate their business. The same is true of taxation and workman's compensation. An entrepreneur who does not know that these agencies commonly regulate business without being told is probably not destined for success.

Awareness of the regulatory agencies does not equate comprehension of their regulations.

George Partee, supervising auditor for Employment Security, said, "Our regulation of business is limited to collecting insurance premiums and auditing accounts. Our regulations are probably no more complex nor difficult to understand than anybody else's. However, most people won't understand them because they don't work with them every day. We have developed an employer's handbook. Many business people prefer to hire accountants or bookkeepers rather than attempt to handle this themselves."

Nevada's unemployment compensation law is based on federal guidelines, but enhanced by state requirements. All employ-

# Who REGULATES Nevada's Business?

ers who pay more than \$225 in salary during a calendar year quarter or who file federal unemployment tax are required to report to the state agency. Employment security audits four percent of all business accounts annually. Candidates for audit are chosen randomly, unless reports filed by the business indicate there may be a problem.

The State Industrial Insurance System (SIIS) works in much the same way. The agency collects premiums for policies underwritten by the state, which comprise about 85 percent of worker compensation policies here. SIIS monitors reporting by employers and audits employer accounts.

Less familiar to the business community may be the regulation by the Department of Industrial Relations. In one way or another, Industrial Relations regulates most employers in the state. This department includes the Division of Occupational Safety and Health (DOSH), the Division of Industrial Insurance Regulation (DIIR) and the state mine inspector.

DOSH regulates safety in the workplace in every business except mining.

"Unlike some states, Nevada has added no state requirements to the federal laws governing occupational safety and health. We enforce on the state level, but we are enforcing the minimum federal requirements," said James Barnes, director of the department of industrial relations.

Nevertheless, DOSH enforces about 1,000 pages of regulations applying to most of the business community. The division has a routine inspection program targeted toward high hazard job sites.

As a matter of policy, DOSH investigates any on-the-job accident resulting in fatality or hospitalization of ten or more workers.

As with other state regulations, the employer bears responsibility for knowing and complying with DOSH's 1,000 pages of regulations. Given the bulk and complexity of the subject matter, the Department of Industrial Relations has acknowledged that this is a lot to ask.

"We have a training and consultation program that any employer can call upon to identify violations and find remedies," said department director Barnes. "This is done without penalty to the business owner, if violations are found. We expect the business owner to correct violations. If our consultant finds a serious problem that jeopardizes the safety of workers, we will monitor it closely until it is corrected. We do not attempt to impose penalties unless we perceive that we have no alternative in order to get the matter corrected."

The Division of Industrial Insurance Regulation (DIIR) also has an impact

upon virtually every employer in the state. This is the enforcement arm for the law that requires employers to carry industrial insurance for on-the-job injuries. DIIR polices businesses who are required to provide worker compensation insurance but fail to provide adequate coverage.

"There are some exceptions — relating to volunteer labor, family member employees, and things such as this — but, for the most part every Nevada employer must be covered by some form of insurance to compensate workers who are injured on the job," said Robert Pike, DIIR administrator. "We usually find out a company is not properly insured when SIIS notifies us that an injured employee has filed a claim and there is no coverage. We issue stop orders to close the business and attempt to recover the cost of the claim. Usually, we can't recover, because a business that doesn't provide required coverage is a shoestring operation with no funds to pay for what can be a substantial expense."

Does that mean the state picks up the bill for the injured worker's claim?

"Everybody pays the bill," Pike said. "Industrial insurance rates are based upon the amount of claims paid. Whether the carrier is the state or a private company, rates go up for the employers who buy insurance when other companies fail to provide it."

In addition to policing the employers who are required to provide worker compensation coverage, DIIR also regulates the private carriers who underwrite 15 percent of the state's coverage, and it monitors SIIS.

Taxation regulates in the same manner as SIIS and employment security. The department collects taxes, monitors business records and reports, and audits tax accounts. Since taxes are generally believed to be as inevitable as death, most business people should be aware that a state regulatory agency governs the taxation process. As with the other agencies, though, the business owner is responsible for complying with a large body of regulations — a task many prefer to put in the hands of professionals.

These state regulatory agencies enforce several thousand pages of regulation and statutory law applying to virtually every business in Nevada. Still, there are those who contend that there is very little regulation at the state level. Vivian Roberts, executive director of the Northern Nevada Development Authority — a non-profit

corporation promoting business development in four northern Nevada counties — promulgates that view.

"There is very little state regulation in Nevada. That's one of our big drawing cards. We are pulling business in from all over in droves — particularly from California. The minor amount of state regulation is one of the reasons."

Ms. Roberts does not deny that there is regulation at the state level, but says that Nevada has less regulation to contend with than other states.

With respect to industrial insurance, unemployment compensation, taxation, and occupational safety, she and those in agreement with her may have a point. Each of these state regulatory agencies has a counterpart in the other 49 states. Much of Nevada's regulation in these areas, though enforced at the state level, is based on minimum federal requirements.

In other areas, however, there is not complete agreement that Nevada regulates less. The Department of Conservation and Natural Resources supervises state parks and resources, but it does much more. The department includes divisions regulating use of forestry lands, water resources, and state lands. It is also the home of the state's Division of Environmental Protection.

Environmental Protection enforces voluminous regulations applying to discharge of materials into air or water, creation and disposal of solid waste, and use of hazardous materials. While there is an extensive body of regulation from the federal government regarding environmental protection, Nevada has adopted additional regulations to protect special interests of the state.

When it was suggested to Roland Westergard, director of Conservation and Natural Resources, that there is little state regulation applying to environmental protection, he firmly disagreed.

"I don't know where you got that idea," he said. "We don't have less regulation. We are not lax in Nevada. In fact, our laws are very thorough — as thorough as those in any state. Nevada does not require that an environmental impact statement be filed with the state. Other than that, our environmental protection regulations are comparable to, for instance, California."

Testimony from the Reno city engineer's office during an August city council meeting illustrates the thorough nature of the environmental review process. The council voted earlier this year to destroy the Ivan Saks Dam, a structure built in the early 1900s spanning the Truckee River. Due to reviews by state agencies, including

environmental protection's evaluation of the impact on downstream drinking water, demolition of the bridge will not begin until August, 1988.

The Department of Agriculture Regulates Nevada agribusiness. The various divisions regulate the importation and raising of domesticated animals and vegetation. The Bureau of Weights and Measures, located in the agriculture department, has wide regulatory powers pertaining to weighing and measuring devices and to product packaging. Dr. Jack Armstrong, director of the Division of Animal Husbandry, expressed the opinion that, at least with respect to agriculture and weights and measures, Nevada's regulations are as stringent and comprehensive as those of surrounding states.

The Department of Commerce possesses broad regulatory authority over Nevada business. With the exception of the State Fire Marshal Division and Consumer Affairs, the Commerce Agencies each regulate a single industry such as financial institutions, insurance, and real estate. Commerce Department agencies fell under scrutiny by the 1987 legislature.

In the case of the State Fire Marshal

Division, the legislature reduced enforcement authority of the office. Formerly, the fire marshal's regulations were adopted statewide, but the state was limited to enforcing them in counties with a population of less than 100,000. Enforcement duties in larger counties were the responsibility of local officials. In 1987, the enforcement duties were limited to counties with a population of less than 25,000 — the change made, at least in part, to avoid duplication in local and state regulatory activities.

The Public Services Commission regulates intrastate public utilities and transportation. Regulated businesses include four electric companies, four natural gas utilities, 24 water companies, five sewer companies, 13 local telephone companies, five mobile telephone companies, one cellular telephone company, 11 telecommunications companies, and about 400 transportation companies ranging from tow trucks to taxicabs to haulers of general commodities.

The list of state regulators does not end there, of course. Nearly all agencies in Nevada's executive branch of government have some authority to regulate business.

Jim Westfallen, vice president of operations at Bruce Industries, expressed only satisfaction with the state regulatory environment. A manufacturing plant with substantial business generated by contracts from the United States Department of Defense, Bruce Industries moved their operations to Dayton, Nevada, from the Southern California area.

"We all enjoyed working in the Los Angeles area," he says. "However, Nevada attracted us, in part because of the regulatory climate. Our firm has little impact on the environment. We don't have a problem there. The other state regulations were handled by the contractors we hired to build our facility and move the business up here."

Louis Laughlin, senior partner in Laughlin Associates, expressed similar satisfaction with the regulatory environment in Nevada. His company acts as resident agent for about 2,000 corporations from around the country who do business in the state.

"No state corporate income tax is certainly one of the biggest things drawing business to Nevada," Laughlin said. "But those we represent have had no difficulty

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# Who REGULATES Nevada's Business?

with state regulations. We deal chiefly with the secretary of state, though we refer businesses to other agencies if asked about specific regulations. We have had exceptionally good luck working with the secretary of state."

E.G. Oden, president of a company in Pahrump that generates several million dollars in revenue a year, agrees and disagrees with the notion that Nevada has a more attractive atmosphere for business.

"We were lured to Nevada from the San Diego area by promises of lower taxes and less regulation. The taxes have been lower. There is no state income tax in Nevada. That makes a big difference."

"The taxes are lower, but we have more regulation. Per capita or per business, there are more regulators in Nevada than in California. However, we have had success with most regulatory agencies in Nevada. But some agency representatives seem to have the attitude that they have the gun and you have nothing. They seem to have no incentive to work with you. These agencies don't talk to you, tell you the problems, and allow you to try to work

them out to the agency's satisfaction. They say here's your problem. Do something, or we'll close you down."

Oden said that he had no problem with the typical regulatory agencies — including taxation, employment security, and department of industrial relations. He said that at least three other agencies, which he preferred not to mention, had lead him to the conclusion that while taxes were lower in Nevada, regulation was not less nor was it more responsible.

Oden was one of the unfortunate entrepreneurs who was told that there was little regulation in Nevada, then had to alter his facility after he had built it when state regulators suddenly showed up on the scene.

"We weren't aware of the regulations before we moved into Nevada, but attempted to comply with them after we learned about them. In one case, we have an inspector coming out here once a month. That wouldn't happen in California unless you were doing something wrong."

Oden also stated that he was not able to obtain product liability insurance because Nevada has high fees for insurance companies.

Many insurance companies do not underwrite in Nevada because the high rate of taxation on policies and licensing fees coupled with the state's low population make the state an undesirable market.

Jack Barriage, administrator with the Independent Insurance Agents of Nevada, confirmed that Nevada is not an attractive market for some insurance companies. Barriage, who acts as a lobbyist as well as administrator for the trade association, heads a group representing about 100 independent insurance agents throughout the state.

Barriage stated that the rate of taxation with respect to insurance in Nevada compares favorably to other states. However, the state's low population causes some companies to avoid Nevada. The number of potential policies isn't worth the company's time and money to set up shop.

In terms of regulation, however, Barriage said the business people in his association have no complaints.

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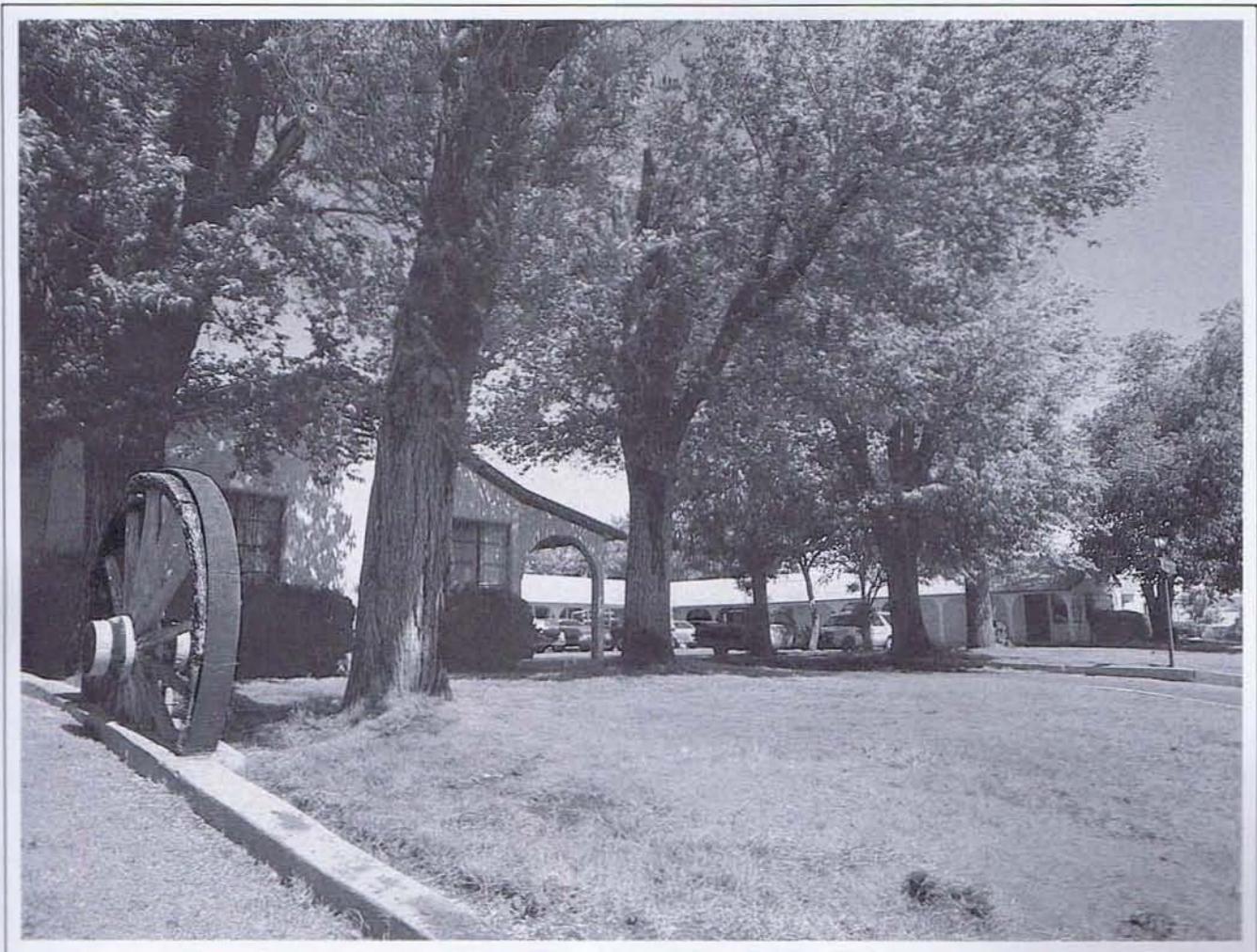
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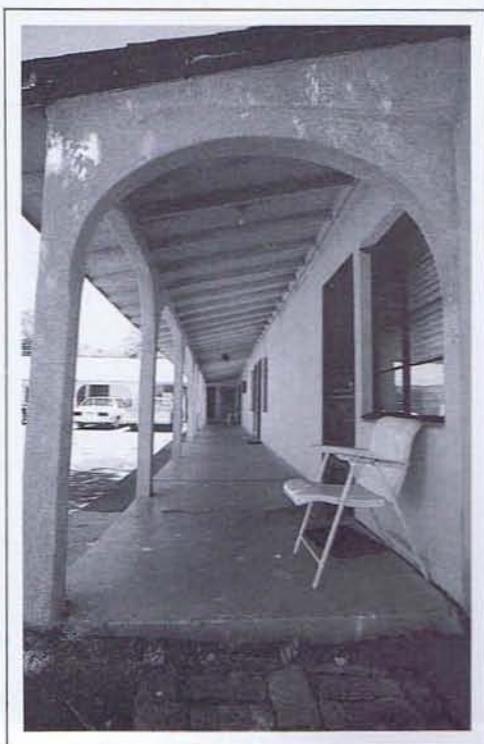
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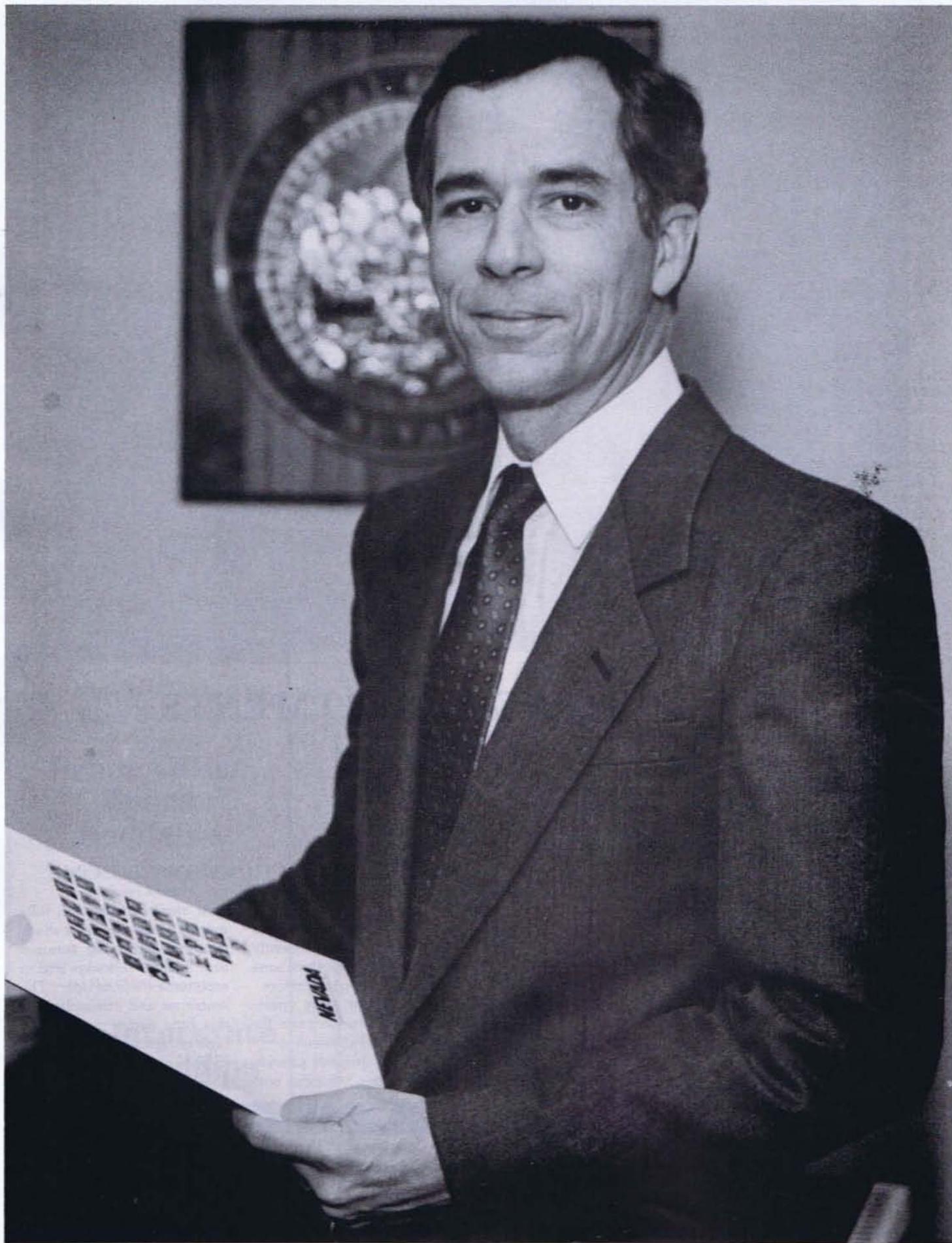
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*Andrew Grose, director of the Economic Development Commission of Nevada*

"The last legislative session was one of the most anti-insurance of any held. About 150 bills affecting the insurance industry were introduced. Not all of those passed, of course."

Interestingly enough, the membership of the Independent Insurance Agents, while not enamored of all the new legislation, supported the addition of staff to the commerce department's insurance division, the chief regulatory body for the insurance industry in Nevada.

"We give high marks to the insurance division," said Barriage. "We welcomed the six additional staff that came out of the last legislature. We felt that the division had done as good a job as they could, but they were understaffed."

Another perspective on the theme — not over regulation or under regulation, but too few regulators. Everyone has their own opinion on the quality and degree of state regulation.

Too much regulation? Too little regulation? Before making a final decision, one further factor should be taken into consideration.

The 1987 Legislature authorized a new management analyst position to operate out of the Department of Administration to do a study of a separate state bureaucracy. Aside from the 50 or so government agencies that regulate Nevada business, the legislature has, over the years, created more than 160 special boards and commissions to regulate every conceivable corner of Nevada's business community.

These boards and commissions regulate funerals, optometrists, accountants, alfalfa seeds, contractors, cosmetologists, sheep, oriental medicine, and 150 other areas. The mission of the new management analyst will be to evaluate these boards and commissions to determine whether they perform a valid regulatory role.

The study resulted from complaints by the department of administration that 17 of the boards failed to submit the required budget information prior to the legislative session. However, the senate noted that many of the boards and commissions came into the session requesting that their authority be expanded, when there was some question whether these agencies played a valid role in state government in the first place.

Despite the morass of regulatory agencies, it is unlikely that Nevada differs much from other states in its regulatory structure. There is some sentiment, in the business community as well as the organizations promoting development in the state, that Nevada is a good place to do business — and the favorable regulatory climate is one significant reason why.

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# THE ANNUAL RANKING OF NE

## Companies Reporting Fiscal 1987 Figures

Revenue Rank	Company (Headquarters Location)	Activity	1987 Fiscal Year Ended	Sales/Revenues (000s)	Net Income (Loss) (000s)	Net Income Rank
1	Circus Circus Enterprises (Las Vegas)	Hotel/Casino	Jan. 31	\$458,856	\$55,900	3
2	Southwest Gas Corp. (Las Vegas)	Utility	Dec. 31	451,385	39,700	4
3	Nevada Power Co. (Las Vegas)	Utility	Dec. 31	374,814	56,063	2
4	Valley Capital Corp. (Las Vegas)	Financial Services	Dec. 31	212,000	21,900	5
5	Golden Nugget Inc. (Las Vegas)	Hotel/Casino	Dec. 31	194,237	137,549	1
6	†Nevada Savings & Loan Assoc. (Las Vegas)	Financial Services	Dec. 31	192,615	18,033	7
7	Sierra Health Services (Las Vegas)	Health Services	Dec. 31	140,328	218	20
8	Showboat Inc. (Las Vegas)	Hotel/Casino	Dec. 31	138,946	964	16
9	* Dunes Hotel & Casino (Las Vegas)	Hotel/Casino	Dec. 31	101,508	(10,708)	33
10	Elsinore Corp. (Las Vegas)	Hotel/Casino	Dec. 31	100,135	18,902	6
11	First Western Financial (Las Vegas)	Financial Services	Dec. 31	99,927	5,986	8
12	International Game Technology (Reno)	Gaming Devices	Sept. 30	83,500	4,294	9
13	Union Plaza Inc. (Las Vegas)	Hotel/Casino	Dec. 31	69,284	954	17
14	Garden American Corp. (Carson City)	Manufacturer of Irrigation Materials	Sept. 30	54,100	2,613	13
15	Sahara Resorts (Las Vegas)	Hotel/Casino	Sept. 30	45,442	(192,416)	27
16	Gaming & Technology Inc. (Las Vegas)	Gaming Devices/Services	June 30	40,251	4,093	10
17	Frontier Savings (Las Vegas)	Financial Services	Dec. 31	32,839	1,004	15
18	The Sands Regent (Reno)	Hotel/Casino	June 30	27,369	3,632	11
19	Jackpot Enterprises Inc. (Las Vegas)	Gaming Devices/Services	June 30	26,200	3,300	12
20	Hyteck Internat'l (Carson City)	Circuit Products	Dec. 31	22,681	451	19
21	**Syntech International Inc. (Reno)	Computer Terminals	Sept. 30	18,940	(2,601)	31
22	Pioneer Citizens Bank of Nevada (Reno)	Financial Services	Dec. 31	14,230	107	23
23	Marcor Development Co. Inc. (Las Vegas)	Real Estate Services	Feb. 29	11,614	2,113	14
24	Anserv Inc. (Reno)	Medical Diagnostics	June 30	5,785	(4,155)	2
25	American Bancorp of Nevada (Las Vegas)	Financial Services	Dec. 31	5,750	820	18
26	Linear Instruments (Reno)	Measurement Instrumentation	Sept. 30	5,368	178	21
27	***Vanderbilt Gold Corp. (Las Vegas)	Mining	Dec. 31	5,331	(1,760)	29
28	Vita Plus Industries Inc. (Las Vegas)	Vitamins and Beauty Aids	April 30	3,797	(756)	28
29	American Enterprises Inc. (Las Vegas)	Ticket, Jet Fuel Services	July 31	2,671	(97)	25
30	Amer. Mus. of Hist. Documents (Las Vegas)	Historical Documents	Sept. 30	1,875	(161)	26
31	Alhambra Mines (Reno)	Mining	June 30	1,240	(1,943)	30
32	Logos Scientific Inc. (Henderson)	Medical Supplies	Dec. 31	641	67	24
33	Intermountain Exploration Co. (Boulder City)	Mining	Dec. 31	40	108	22

## Companies Reporting Fiscal 1986 Figures (Information was not submitted for 1987)

1	Sierra Pacific Resources (Reno)	Diversified Utility	Dec. 31	373,154	35,518	1
2	Nevada National Bancorp. (Reno)	Financial Services	Dec. 31	63,074	(4,080)	3
3	New Gold Inc. (Reno)	Mining	Dec. 31	202	(108)	2

† A wholly-owned subsidiary of Southwest Gas Corp.

\* Net income after bottom line adjustment of \$56,557,000

# VADA'S PUBLIC COMPANIES

Assets (000s)	Assets Rank	Earnings Per Common Share	Per Share Cash Dividend	Shareholders Equity (Deficit) Per Share	Full-Time Employees	Employees Rank	Chairman of the Board	President
\$529,570	7	\$1.48	—	\$7.34	8,000	1	William G. Bennett	William N. Pennington
815,000	5	2.13	1.30	15.72	2,800	3	William M. Laub	Kenny C. Guinn
939,589	4	2.01	1.46	13.64	1,441	7	Conrad L. Ryan	Charles A. Lenzie
2,156,000	2	3.61	.60	22.46	1,700	5	Richard A. Etter	Peter M. Thomas
545,544	6	4.16	—	9.89	3,000	2	Stephen A. Wynn	Stephen A. Wynn
2,364,000	1	—	—	—	500	15	Kenny C. Guinn	David H. Rogers
46,096	17	.04	—	.22	851	12	Anthony M. Marlon M.D.	Anthony M. Marlon M.D.
328,376	9	.08	.14	5.29	1,000	10	Joseph H. Kelly	Joseph H. Kelly
56,009	16	6.89	—	2.32	2,200	4	Jack Anderson	Jack Anderson
136,757	11	(1.93)	—	(33.60)	N/A	—	N/A	N/A
1,277,262	3	.95	.28	11.12	313	17	Archie Taylor	Raymond J. Gregor
109,911	13	.71	—	7.80	980	11	Charles Mathewson	John J. Russell
73,840	14	.81	—	18.50	1,600	6	John "Jackie" Gaughan	Roy A. Galyean
56,216	15	.89	—	—	1,174	9	James S. Fetherstone	James S. Fetherstone
128,281	12	.20	N/A	1.05	1,250	8	Paul Lowden	Paul Lowden
29,159	20	.54	—	2.46	600	14	Alfred Wilms	Alfred Wilms
347,079	8	.43	—	3.78	122	21	Robert Moore	Frank Mummey
38,380	18	1.10	—	8.96	800	13	Katherine Johnson	Pete Cladianos
26,700	21	.70	.20	3.87	420	16	Neil Rosenstein	Neil Rosenstein
12,685	22	.16	—	N/A	300	18	Paul Gould	Thomas H. Bay
34,260	19	(.42)	—	2.94	275	19	Charles Dragone	N/A
142,418	10	.30	—	25.20	170	20	Louis J. Capurro	A. Somer Hollingsworth, IV
7,707	26	.21	—	.43	16	27	Anthony Marnell, II	James A. Barrett
3,971	27	(1.78)	—	(.10)	73	22	Eugene J. Mora	Eugene J. Mora
9,728	24	1.02	—	9.16	67	24	Claudine Williams	James Bradham
3,608	28	.05	—	N/A	70	23	Patrick Cadigan	Rocco Tarantino
11,469	23	(.11)	—	N/A	23	26	John F. Jordan, Jr.	John F. Jordan, Jr.
2,914	29	.01	—	.95	—	—	Scott Goldsmith	Scott Goldsmith
1,271	31	(.04)	—	.31	8	30	Ronald Tassinari	Ronald Tassinari
9,129	25	(.037)	—	1.22	28	25	Todd Axelrod	Todd Axelrod
2,115	30	(.14)	—	N/A	15	28	Han Rieppel	Harry Allison
655	33	.04	—	.03	9	29	George Geller	George Geller
1,185	32	(.05)	—	N/A	3	31	N/A	Richard Wyman
1,081,126	1	1.79	1.69	16.65	1,860	1	Joe L. Gremban	Joe L. Gremban
637,352	2	(1.83)	—	N/A	540	2	William E. Martin	William E. Martin
1,634	3	(.017)	—	.18	5	3	Thomas Willer	William B. Murdaugh

\*\* Figures reflect nine-month fiscal year

\*\*\* Figures reflect \$1,307,000 due to restructure

## That Russian Connection: SIMCO Goes International

by Vicki M. Bertolino

*In need of a complicated software package to run their new hotel, the Russians found that SIMCO could deliver what they needed.*

Not many new small businesses get off the ground with a million-dollar international contract, but that is exactly what William L. Dempsey did in 1977, when he started his Systems Integration Management Company (SIMCO) in Las Vegas.

SIMCO's international experience basically has been in the lodging and casino markets, with installations in Aruba, St. Maarten, Hong Kong and Russia. In fact, SIMCO's first big episode in international marketing was the Russian connection — accomplished with the help of Digital Equipment Corporation.

A quiet-spoken, modest individual, Dempsey confesses he was simply in the proverbial right place at the right time when the Soviet World Trade Center required American assistance in designing a complex system for the new hotel they were opening in Moscow.

"They first approached Summa Corporation, where I was working at the time, but Summa wanted no part of it. The software we were developing (at Summa) was for our own hotels and casinos, not for resale," recalls Dempsey.

While with Summa's Nevada Operations, Dempsey was instrumental in introducing many innovations in financial planning and analysis. It was his expertise in hotel/casino software development and business systems analysis that lead this small Las Vegas businessman into opening his own software design firm and venturing into large domestic and international markets.

According to Dempsey, "We've been in business in Southern Nevada for more than ten years, we have a staff of eight and our reputation is quite good, though occasionally it still comes up that we are a small company and located in Las Vegas."

When Bill Dempsey first started SIMCO in 1977, companies did not typically look to Las Vegas for high-tech investments. They went to New York, Los Angeles or even Phoenix, Arizona, to find a reputable supplier of select business computer software packages designed and programmed for individual companies.

"To a large extent, the professional businessman in Las Vegas has been looked down upon. When I travel, I still get the same hip-shooter mentality which has been going on for years. How can you do business in Las Vegas? How can you trust anyone from Las Vegas? Though these types of questions are diminishing, they are still two of the typical ones often shot at me by other businessmen who have some apprehension about dealing with Las Vegas-based companies," Dempsey explains.

On the other hand, he adds, the lodging industry specifically realizes

that Las Vegas is a very sophisticated market, and software that succeeds there will succeed most any other place because of the relatively complex and sophisticated nature of the hotel operations here. In that way, in selective markets, it is easier to do business. Once you move out of that rather narrow market of lodging and hospitality, there is more skepticism.

So how does Dempsey deal with this skepticism? "I remind them that our structure is fairly decentralized so we don't need a large staff. We're a design group, whose programs are not exotic but are well done."

For instance, during SIMCO's second year in business, Dempsey was approached by a Las Vegas Hilton management consultant who brought SIMCO the problem of maintaining their casino records by table and then preparing daily management reports after count closing for management's perusal the same day. As old as the Nevada gaming industry itself, the antiquated manually-prepared "stiff sheets" detailing the entire casino's daily operations used to take several hours to prepare; they were never up-to-the-minute.

SIMCO addressed this problem for the Las Vegas Hilton in 1978, developing a turnkey system which eliminated many of the time-consuming procedures previously completed by hand, enabling immediate access to needed information.

Ira M. Kischner, casino controller at the Las Vegas Hilton at the time and now with their sister hotel, the Flamingo Hilton, reported that "the new systems (designed by SIMCO) perform the same functions that were once performed manually, but it does them quicker and more accurately." Instead of it taking days to prepare the gaming report, it can now be done in a matter of hours. With the minicomputer system SIMCO designed, chip inventories, fills, credits, counter checks, all chip movements and detailed reports on daily operations of every gaming table are ready for management's review two hours after a shift's count closing.

"We close our accounting day at three in the morning and the count is normally finished by five a.m.," explains Kischner. "By seven a.m. that same day, we have full daily and cumulative reports ready. When we were trying to manually prepare these reports, it took three to five days to complete."

It's this type of business efficiency Dempsey tries to achieve for each of his clients, whether big or small, domestic or international. "We want to insure that management has their fingers on the pulse of their operations at all times by having immediate access to timely, accurate information so they can make informed decisions," insists Dempsey,

who has his fingers on the pulse of his own operation by simply calling up the needed information on the computer that sits obediently next to his large desk, awaiting his command.

The concept of the operation of a hotel or casino has not changed since Dempsey designed the package for Summa Corporation. The technology, though, has become much more sophisticated, according to Dempsey who is continually upgrading and refining his integrated hotel/casino software system.

The package consists of a complete accounting system including general ledger, payroll, accounts payable, fixed assets, time and attendance, full hotel package, table games accounting, slot accounting, player accounting, slot machines and credit line, accessibility to market research for future projections and forecasting.

Though the Russian package contained some of these same components, it had to meet their specific requirements, therefore, it had to be customized. "Customized software is very expensive," explains Dempsey, "so we try to take a product that is pretty close to what the client wants and just alter it. When we build software, we try to anticipate the kinds of things people do differently and make our software flexible enough so we can tailor it to the client's needs."

Dempsey clearly recalls that Thursday morning in September 1977, when a representative from Prommish Imports called him. Prommish Imports is the Soviet agency in the United States which handles all preliminary negotiations of the Russians in their dealings with U.S. companies.

"They explained to me that the director of the Soviet World Trade Center was in New York and interested in talking to us about the system for the Trade Center they were building in Moscow. Come to New York on Friday, they told me."

The Director of the Soviet World Trade Center could not come to Las Vegas because the United States government does not permit certain foreign visitors to travel freely within our country. They have to stay within a 150-mile radius of their original destination without obtaining specific permission.

"I thought about this offer. I knew Summa didn't want to be in on this because I already checked. I also knew I couldn't do it alone; besides, I didn't think the Russians would want to do business with a company only in existence for a few months. So I called Dick Knox, president of Knox Data (in Los Angeles), and asked if he'd be interested in pursuing this opportunity jointly to see what develops."

Knox had been a consultant with Summa, doing design and program work; however, at the time, Summa was in the midst of reorganizing their entire operations and Knox knew he

would be losing one of his major accounts.

"Seeing that Summa was a major client of his and they were bringing programming in-house, Dick thought it would be worthwhile to take a shot at it. So we went to L.A. Thursday night, caught a red-eye to New York, arrived there at seven a.m., met with the Russians at nine a.m., negotiated with them till three that afternoon and told them we'd have a proposal to them within two weeks. We stayed in New York Friday night, flew back to L.A. Saturday, where Knox and I worked all weekend outlining this proposal, and sent it off to them before the end of September," Dempsey rattled off in almost one breath.

The next step was to go to Moscow and negotiate a contract. "Knox and I each put up \$15,000 to be used for bidding expenses.

"There was no sense in both of us going to Moscow, and in talking to the Russians, we decided that Dick was the logical choice since my business was so very new and Knox Data was an established firm."

Knox spent a month in the Soviet Union negotiating the contract, but he came back without one because they simply could not agree on terms. That was in November and they had already spent \$18,000 of their seed money.

"About two weeks later, we got a telex from the Russians saying they had reconsidered some of the items that we couldn't agree on. They wanted to reopen negotiations."

After an exchange of telexes about some of the key points on which the Russians had reconsidered, Knox went back to Russia. Within ten days, they had concluded negotiations, and Knox was back home. By now, their bid money was nearly depleted, but the contract had been won on their terms.

After the initial contract was signed and delivered, it was Dempsey's turn to fly off to the Soviet Union for a couple of weeks to work with the Russians directly in preparing the special specification documents needed to design the software package they desired.

The package was completely redesigned. Plus the Department of Commerce had some restraint on the computers Russians could get. They would not allow the export of certain high-tech products to Russia. So the computers they could buy were not really state-of-the-art machines, which made it much more difficult to design their software.

In addition, the specifications that the Russians provided had some very strict performance requirements that the software had to meet: each terminal had to respond within five seconds; there were 40 terminals in the system and if they all requested service at once, each terminal had to be serviced within five seconds. They also wanted a point of sale system with cash registers tied to the computers.

"It was one of my jobs to investigate that, so I called some companies, one of whom in-

formed me that they had bid on this contract, they didn't get it and would not sell anything to the Russians. All of the forms used in the hotel, of course, had to be done in the Russian language, but the Russians told me they didn't have the capability of producing multi-part, continuous forms. I contacted Vanier Graphics here (in Las Vegas), who did it for me."

With all of the requirements for the specifications having been defined, Dempsey again traveled to Moscow in April of 1978 with the final specifications for sign off.

About six months later, a team of four Russian technicians came to Los Angeles to be involved in the actual programming, final design and documentation of the system so they could maintain it themselves. "We got to work with the Russians over here for about two months. We had few problems because they always had an interpreter available. In most cases, though, the interpreter wasn't needed because the technical people in the Soviet Union are quite fluent in English; in fact, all computer technicians in the Soviet Union must speak English," notes Dempsey.

Though there were no apparent cultural gaps between the American and Russian technicians, there were some frustrating moments in doing business with them.

"In any kind of business transaction, the Russians were brusque. But even more frustrating is that in Russia, each person is a specialist." Dempsey shook his head.

He remembered when he spoke to the person he thought was the technical specialist who could give him the final okay. Dempsey would spend a lot of time clarifying everything, thinking he'd reached an agreement, yet the final reaction of the person to whom he was talking was, "It sounds fine, but I'm not the specialist in that area."

Dempsey points out that everything you agree on is documented and signed, yet all of the people with whom you work directly can sign nothing. "You have to get an agreement from each specialist and then all specialists have to agree and then they have to get the guy in charge who can sign and he has to be comfortable with everything before he'll finally sign it. We spent two weeks reviewing and approving the specifications and then another two days just rehashing everything and satisfying all of the other specialists in order to get the documentation finally signed off."

There were other problems as well, like obtaining an export license which had to be issued for the product.

"It took some effort initially to get the export license because the United States government was concerned that the system would not be used for its intended purpose in the hotel, but to essentially track dissidents, refuseniks and people like that," recalled Dempsey. "After we explained to them exactly what the sys-

tem did, and proved to them that it couldn't do other than what it was prepared for, it still took an additional two visits to the Department of Commerce in Washington, D.C., before the license was granted."

There was also the time Dempsey had to get some help from his local Congressional representatives.

"The contract required us to deliver the product by certain dates. When the Russians invaded Afghanistan, all export licenses were suspended, and we were unable to deliver one of the special items. This lasted several months. There was a payment due us, but because they didn't get their product, they didn't make the payment. When they finally got the product, the Russians wanted to enforce the late provisions of the contract and the penalties imposed if we were late on delivery."

And just how did Dempsey tackle this delicate international situation? "We got around this through negotiations. We just explained to them that this was caused by matters beyond our control and we were doing our best to get them the product. If they refused to pay us the full amount, then we couldn't continue with the project."

Dempsey admits that his last threat was weak since they had actually delivered the final product and the Russians had six months to review the systems. During that time, SIMCO was obligated to make certain changes, and they still had documentation and technical materials to complete, but the negotiations worked and the penalties were never imposed.

After the Russian deal, SIMCO tried to do some sales in Japan. Ultimately, they ended up not selling anything to Japan, but instead to Hong Kong.

"Through Digital Corporation's marketing in the Far East, we were able to sell the hotel package in Hong Kong and Indonesia. We experienced none of the problems we did in Russia because these countries are part of the free world and closer to our own cultural and business standards than is Russia."

Dempsey paused, a large smile parting his lips, "Besides, you don't need any export licenses or other special visas when dealing with the free world."

SIMCO also had an opportunity to sell their slot system to the U.S. Army in Germany who planned to introduce slot machines in the Non-Commissioned Officers' Clubs.

"We were contacted by the Army to see if we could sell it. The NCO Club, however, is an unappropriated fund and they wanted to lease the package, all of the equipment and the software. Unfortunately, I was unable to secure any type of leasing arrangement for the equipment because the equipment would be outside the country even though it would be on a military base. I couldn't find anyone in the US

who would be willing to put a deal together so we lost that one," reports Dempsey stoically while refilling the pipe that is seldom far from his reach.

The next international project Dempsey was personally involved in was Aruba in 1983. He installed the hotel-lodging package in the Bushiri Beach Hotel, a hotel built, owned and operated by the government as essentially an extension of the state's school system to train young people wanting to enter the hotel business. In 1986, he not only returned to the

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*"We've built SIMCO  
on performance  
and word-of-mouth  
reputation because  
we've always  
provided quality,  
high-level service  
to our customers  
at reasonable  
prices ... We have  
an excellent  
reputation ..."*

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Bushiri Hotel to install his accounting system, but went to the island of St. Maarten to install both the lodging and accounting systems for a Dutch company.

SIMCO also has several major domestic clients including a contract with Southern Bell Advanced Systems who handle the seven Southeastern states.

Southern Bell decided they wanted to integrate their telephone system with a hotel-lodging software and accounting package, which were new areas for them. After a thorough investigation of the Innkeepers Management System, a three year contract was awarded in 1986. Again Knox Data and SIMCO collaborated: Knox Data provides the house software and SIMCO all of the accounting software.

Dempsey explains that Southern Bell has "20 salespeople out in those seven Southeastern states selling telephone systems and this computer system. We do all of the installations and provide all of the support; they do all of the

sales. In addition, we have trained three trouble-shooters with Bell who can handle any problem with the computer over the telephone. We have never had a case where we've had to go to any of those states and correct problems."

Dempsey is currently in negotiations to open a Southeastern office if Bell signs a five-year contract with them.

In the past two years, SIMCO also developed a customer-profile marketing system for Auto Insurance Centers, an independent insurance agency with 18 offices around the southwest who has since been bought out by Guarantee National Insurance Company (GNIC) of Denver. "We designed the software system so they could capture and evaluate data on all of their current and prospective clients."

This experienced international marketer doesn't believe that direct sales is the way to market overseas or even domestically for small businesses. In each of his international and national dealings, his company SIMCO came recommended to these markets through the Digital Equipment Corporation.

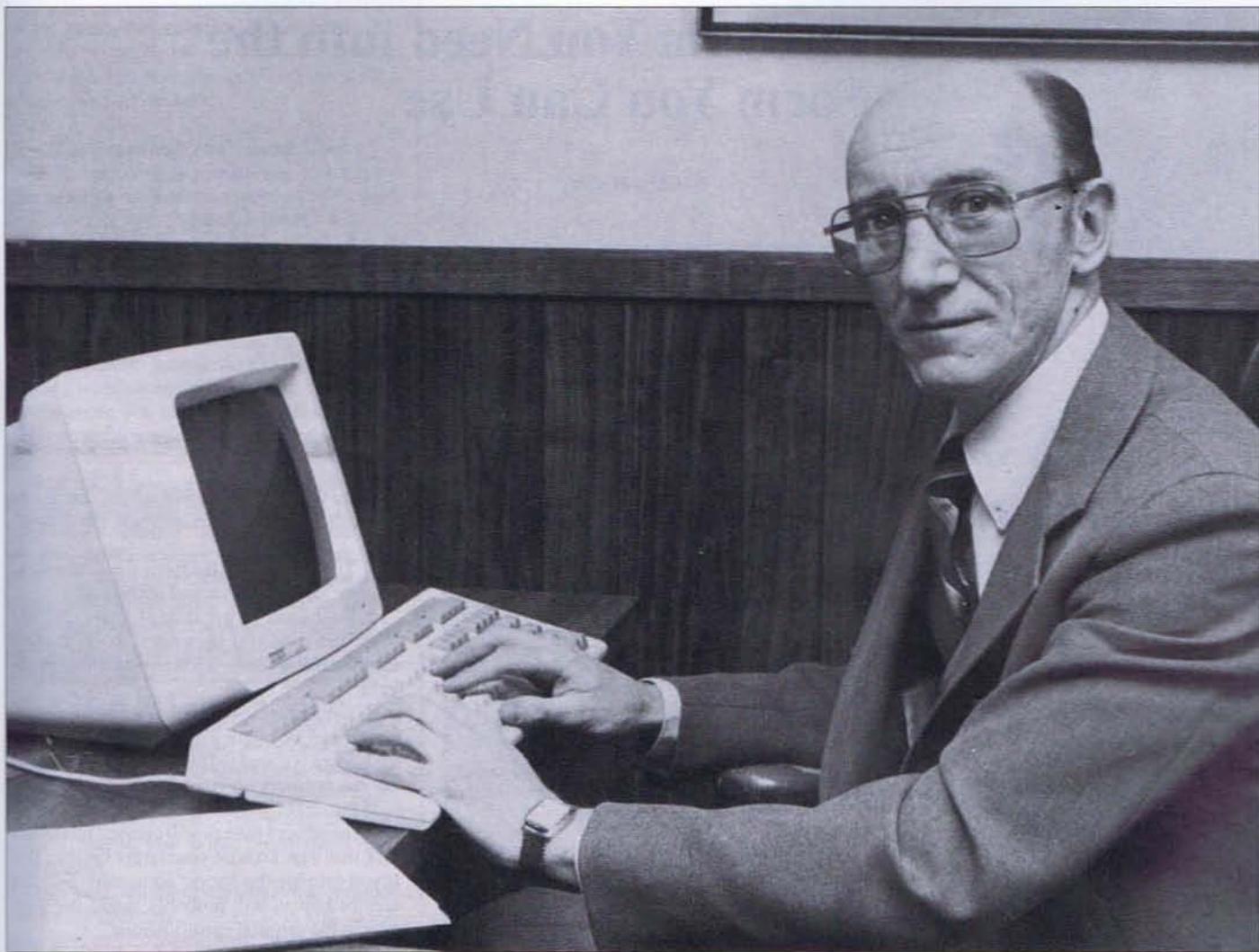
"Being associated with an organization like Digital, we found that our being a small organization poses no problem. Our position is quite clear: we're specialists in the products our clients need. We don't require a large staff to support the product because the support is decentralized—you buy it from DEC, or from Southern Bell, or from this dealer, or that company. These firms are then looking for support where available and when needed. We not only offer that support, but the specific software needed and installation."

Digital has also restructured their marketing program by targeting certain markets and adding outside sales people. "If DEC is going to have people out there selling, marketing in the same areas as we're marketing, which is wholesale distribution and the hospitality industry, why should we compete against them?" asks Dempsey.

He answers his own question: "Let's not worry about selling equipment; let's get out of this channel and work directly with DEC's national distributor. We'll just piggyback on DEC and let them take care of the sales expense (after all, they have a lot more resources for selling than we do, we don't even have any salespeople). We'll help them sell equipment by supporting them in the software products we design, install and service."

In effect, what Dempsey has done is develop a closer relationship between Digital Equipment Corporation and SIMCO in their vertical markets by supporting DEC's salespeople with SIMCO's software products.

Besides having a ready-made salesforce, another advantage for a small business to tie in with an international firm like Digital is access to their promotion and advertising.



*Bill Dempsey, Founder/owner of SIMCO*

"It's hard to advertise your products worldwide, so even though we are in international markets, being a small independent company we still can't afford those huge budgets needed for international or even national advertising," confesses Dempsey.

To counter this and obtain as much advantage as possible, Dempsey "piggybacks" on DEC's advertising as well as using trade associations, established dealer-agencies, networking with people he meets at various conferences and, of course, word of mouth from his satisfied customers.

"We've built SIMCO on performance and word-of-mouth reputation because we've always provided quality, high-level service to our customers at reasonable prices. I think we have an excellent reputation. After all, we've been in this business over ten years while most others only last three years."

Dempsey recalls that when he first started

SIMCO, he was "the only DEC software house in town. Over the years, we obtained four local competitors and now there is only us — all of the rest have gone out of business."

Dempsey believes that he's currently in a growth cycle, especially in the hotel market, which is a fairly sophisticated market that recognizes a system like his. Dempsey believes that word-of-mouth and reputation are key factors when a hotel or casino decide to upgrade their lodging and gaming accounting and analysis. Putting in a computerized system or even upgrading one is a large investment; therefore, a lot of communication goes on among the hospitality industry to discover what system has been good and what hasn't.

"I think hotels tend to go with someone who has been successful somewhere else. Here in Las Vegas, for instance, if we do a good job with Palace Station and Arizona Charlie's, it will lead to others. We already have other hotel

proposals in, and we are talking to the Northwest Region of Bell helping them make the transition into selling computer products."

SIMCO's success in Aruba, St. Maarten and Russia has definitely helped them widen their international outlook. Now what Dempsey would like to do is establish his products in countries such as South Africa and Macau, located 40 miles from Hong Kong, which also have gaming. "The scope of the gaming market is much broader than what most people think. It's hard to have just one package because gaming is so highly regulated by each state and country. So we'll have one basic package that will address basic needs and can then personalize it as we did the Russian package," he explained.

To expand his worldwide markets, Bill Dempsey heeds the same advice he gives to other small business people trying to enter this national and international market: Be patient.

## Getting the Data You Need into the Form You Can Use

by Chris Muller

*To use a computer efficiently, you need access to the data, but ... sometimes it's located on the wrong system, or locked away in a file cabinet. Rekeying is the most common answer, but some excellent alternatives exist. Here is how use to use them.*

**W**ait! Maybe you don't have to rekey those old documents after all. Yes, we know you've changed word processing systems and the old disks won't work with the new systems. Or that you've only got a printed copy — no computerized file at all. Thanks to advanced technology, those old disks — or hard copy — could be the source for a computer file that you can use.

### Data Conversion: The Best Choice

While you've been slaving away at the keyboard, data conversion services have improved dramatically. If you know how to use them, these services can save you enormous amounts of time and aggravation. Plus, compared to rekeying, data conversion can be downright cheap.

Quite simply, data conversion is the process of transforming computerized information from a form you cannot use, into a form you can use. Companies that perform this service go by a variety of names: service bureaus, media conversion houses, data conversion houses, data conversion or data transfer specialists.

### What to Tell the Service Bureau

To order a data conversion, you'll need to provide certain technical information that is extremely straightforward. In fact, if you have the disks in front of you when you call a service, you'll probably be able to answer all the questions they'll ask.

First, you'll need to describe the system that created the disk which contains the information that you want to transfer. This is called "source" detail. With this information, the service bureau can determine whether it can "read" the disk.

This information includes:

- The computer's manufacturer (e.g., Wang or IBM)

- The computer's model number (e.g., OIS-50, PC, PC-AT)
- The software product used to create the disk (e.g., Multimate, WordPerfect, Displaywrite, Wang WP)
- The size and capacity of the disk (8", 5.25", 3.5"; single, double or high density). This information is important when the manufacturer offers different types of disk drives for the same computer, as is increasingly the case.

Similar information is required for the "target" system — the system you want the information moved to.

Finally, tell the service bureau what you'll use the information for. This can help them "tune" the information to your application. The service bureau may handle database, type-setting and word-processing files somewhat differently.

Once the service acknowledges that it can perform the conversion, provide the following:

1. The source disk(s) from the originating "source" machine, marked accordingly:
2. Formatted target disk(s) from the machine the data will be written to. Providing formatted disks helps avert two potential problems:

In some cases, two otherwise identical disk drives may be aligned differently. If the service bureau is asked to format the disk, it might not run properly on your machine.

If the target system wasn't correctly specified, the service bureau will create a formatted disk that won't run on your target system. But if you provide the correct formatted disk, the service bureau will probably detect the mistake in the original specifications.

3. A written note specifying which disk is the source, the target and your application. Putting it in writing helps make sure the conversion operator gets the message — accurately.

### Following Up

Conversions vary widely in the amount of "clean-up" that is required to really make a document useful. Today, most word processing conversions transfer not only raw keystrokes, but also formatting information — tabs, centers, indents, bold, underline, etc. In most cases, format lines and margin settings are also transferred. In other cases, this is done manually by the receiving operator.

If your conversion project is larger than a couple of disks, ask for a test disk. When it comes back, call up the files on your system and work with them. Note any problems you have accessing the files, and the kind of corrections that you have to make.

Then, call the service and give them feedback. Ask what they can do to correct these

## Data Conversion

problems. The source system's code structure might make the problems unavoidable. But sometimes, much can be done. Conversion software is increasingly sophisticated, with a wide variety of options.

### OCR Scanning: The Second Choice

OCR scanning is a maturing technology that can also be faster and more accurate than keyboarding, but it has its limits. Rule of thumb: Try for data conversion first. But if hard copy is all you have, OCR's a good second choice.

OCR is a mechanical process, depending on very clear hard copy. Scannable copy must have good resolution: the characters should be well defined without touching adjacent characters. For example, you often can't scan text that was printed at 12-pitch using a 10-pitch print wheel.

With OCR, you get what you pay for. Extremely low prices often mean you get the "run-of-the-scanner." Printed pages are simply fed into the scanner. What it thinks it sees is what you get. All OCR misreading is your problem. This can work well if your copy is exceptionally clean. Otherwise, it's likely to be a waste of time and money.

On the other hand, more costly OCR services will proof your copy, making corrections for you. The final quality should be comparable to what an excellent keyboard operator would produce. Expect some clean-up of format lines and tab settings, especially when tables are being scanned. You'll want to proofread it, just as you would proofread a first-typed draft.

The best scanning services will provide your codes for tabs, indents, bold and underline. Paragraphs should have "soft returns" in the middle, and "hard returns" at the end. In other words, copy should wrap around properly, and paragraph breaks should be present.

As we've said, OCR technology has its limits, but in the right circumstances, it can still be an excellent alternative to rekeying long documents.

...

Sharing data among computer systems is such a simple notion to people, it's hard to believe that somebody forgot to tell the computers. Few tasks are as frustrating as rekeying long documents that already exist, but can't be used. Yet, as we've seen, cost-effective alternatives do exist. If you get in the habit of using them, you'll save yourself a whole lot of time and aggravation.

*Chris Muller is founder and president of Muller Media Conversions, a leading New York service bureau specializing in data conversion, optical character recognition and custom conversion programming.*



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# Managing the Kidnap Extortion Crisis

by Neil H. Schott

*The organization of a Crisis Management Team, trained to handle an executive kidnapping, could help defuse a potentially disastrous situation.*

**T**here are a lot of issues currently confronting corporate security directors everywhere. Polygraph is receiving a lot of attention, so is drug testing and honesty testing. Of equal importance to the controversial issues is another hot item: Crisis Management. Depending on who you talk to, Crisis Management will be defined as the action plan for resolving incidents where an employee is kidnapped and an attempt is made to extort a ransom from the corporation.

Crisis Management has been described as one of the "sexiest" security topics around and if you take the time, you will find a lot written on the comprehensive subject. The plan for managing the kidnap extortion incident does not have to be complicated or high-tech. It only needs to be simple and easy to follow. Experience has shown that without an organized Crisis Management plan, cooperating internally becomes more of an obstacle than negotiating with the kidnapers.

With so much at stake, the first question is, "How do you get organized?"

## THE CRISIS MANAGEMENT TEAM

One person or one department cannot manage a kidnap extortion crisis alone. Many factors come into play that require the efforts of a team of individuals from representative departments of the corporation. Typically the areas are Security, Human Resources, Legal, Line Management and Public Relations. The basic roles of the individuals representing these various departments would be as follows:

- Security: Liaison with law enforcement. Team organizer.
- Human Resources: Family and employee assistance.
- Line Management: Ransom preparation when requested by law enforcement.
- Legal: Advice on the appropriateness of team action.
- Public Relations: Press releases and media relations.

Prior to the actual formation of the Crisis Management Team, a decision must be made by the managing body of the corporation to empower the team to act on their behalf in the event of kidnap extortion crisis. Often times during the negotiation phase, it is necessary for decisions to be made quickly. In order to assist law enforcement in resolving the crisis, it is imperative that the Crisis Management Team have the authority to act for the corporation. A resolution of the Board of Directors may serve this purpose.

## THE CRISIS MANAGEMENT PLAN

The Crisis Management plan should be written with each member possessing copies for home and office. Essentially, the plan should have at least three component parts: Membership; Responsibilities; Team and Law Enforcement Notification. It may be necessary to include additional parts to the plan if, for example, senior executives had central

station-type home alarms. In that case, the names and addresses of these individuals will be placed in the manual as an appendix for quick reference. The names and addresses of all senior executives may be placed in the manual for the same purpose.

**Membership:** The names of the team members are included here along with their home and business telephone numbers. To insure availability of the team after hours, some corporations utilize pagers and include paging information under this category. Because it is not always possible to reach all members, it is a good idea for each represented department to have an alternate member listed along with each alternate's telephone and paging information.

**Responsibilities:** Within the framework of their basic roles, critical tasks of each individual should be clearly defined under this category. For example, if it was the responsibility of the Human Resources representative to arrange psychological and/or counseling services for the family of the kidnapped victim, specific information, names and 24-hour telephone numbers, would be included. The task description should be specific enough to enable another team member to assume a secondary role if necessary. Within this context, it is of the utmost importance that the plan for ransom preparation be detailed. Depending upon the resources of law enforcement, it may be necessary for the corporation to provide the ransom package to law enforcement.

It is important to remember that a member of the team should never attempt to meet with kidnapers. The exchange of the ransom should only be performed by law enforcement.

**Team and Law Enforcement Notification:** Learning of an actual kidnap extortion demand can come through various avenues — the family of the victim, a fellow employee, or the actual kidnapper(s). Once the Crisis Management Team has been organized and empowered by the managing body of the corporation, training should be conducted to educate employees on how to contact members of the team during or after working hours.

The actual notification procedures for team members and law enforcement should be clearly detailed in the written plan. Upon learning

of the kidnap extortion event and verifying to the extent possible that the situation is not a hoax, contact should be made with law enforcement. During the planning stages of the team and plan, the Security Director may wish to consult local police and the Federal Bureau of Investigation to determine which agency would have jurisdiction in such a case. In most kidnap extortion incidents, the local and federal law enforcement officers will work together. A list of on-call law enforcement individuals and their representative business and home telephone numbers should be in the plan.

When contact is made with law enforcement, all known information relative to the victim and incident must be related. Law Enforcement should also be advised that a Crisis Management Team exists and will be meeting at a prearranged location to assist in

*Kidnap extortion cases are usually very unpredictable. The anxiety associated with the uncertainty is best handled by a team that is prepared.*

any way possible. The capabilities of the team — victim information, ransom preparation, etc. — should be stressed. Do not forget to provide the law enforcement official with a direct telephone number.

After concluding the conversation with law enforcement, the team should notify the other members or their alternates. The "Membership" portion of the manual can be used to accomplish this task. The team may also decide to have easy-to-carry instruction cards made. These cards would list team members and outline the initial steps to be taken in the event of a kidnap extortion crisis. Again, to insure availability, some corporations utilize pagers. The inconvenience of wearing a pager is far outweighed by its benefit when it is necessary for the team to assemble.

Depending upon the wishes of the corporation's managing body, it may be necessary to also contact the president, chairman of the board, or other board/managing officials. It is important to check existing insurance coverage in these areas to determine if

this or further action is required for loss coverage. The team member from the legal department may opt for this task. Some policies require that specific steps be taken by the corporation for coverage. These steps should be part of a checklist and included in the written plan as an appendix.

Once assembled, the notifying members should bring all members up to date on the kidnap extortion incident. This member should be prepared to put into action any requests of law enforcement. At least one team member should be documenting events, conversations, requests and notification for the filing of a final report with management.

Ideally, the team is a cooperative unit providing assistance to law enforcement and information to management. Kidnap extortion cases are usually very unpredictable. The anxiety associated with the uncertainty is best handled by a team that is prepared.

#### CRISIS TEAM TRAINING

At least four times a year — once at the beginning of each quarter works well — the team should meet to review its procedures and individual roles. The meetings are also good opportunities to receive additional training

from law enforcement. As part of the team training, it is a good idea to test notification procedures during and after working hours. The notification tests alone will give some indication as to whether or not pagers are needed. Inasmuch as some corporations have gone a step further and actually set up a mock kidnap extortion training exercise, it is important to bear in mind that real-life situations are difficult to simulate. If a mock kidnap extortion exercise is preferred, it is important to set specific learning objectives and parameters so that the desired outcome is achieved.

• • •

Kidnap extortion happens. It is virtually impossible to predict when such a crime might occur and just who will fall victim. Kidnap extortion readiness begins with the knowledge that the crime is becoming more and more frequent, and that an appropriate response plan is as important as a profit plan. The organization of a Crisis Management Team is an important step toward resolving a kidnap extortion incident safely.

*Neil Schott is the assistant vice president and bank security manager at First Interstate Bank of Nevada, N.A.*

## Mrs. Alice Ragsdale tells Bill Cosby how Red Cross helped after the flood receded.

**Alice Ragsdale:**

"When the water came, it was like a dam broke! You can't imagine the total damage, Bill. Possessions washed away — family treasures smashed, covered with mud.

It was shocking, devastating."



**Bill Cosby:**

"How'd you know Red Cross could help?"

**Alice Ragsdale:**

"My sister urged us to call

Red Cross. We've always stood on our own two feet — asking for help isn't easy for us. But this time we had to — for our two daughters.

Red Cross helped us get emergency supplies — food, clothing, cleaning supplies; showed us how to apply for federal disaster assistance. They gave us moral support, too. That meant a lot.

It's true, Bill... sometimes we don't appreciate what we've got... until we lose it."

**Bill Cosby:**

"That's why it's so important to keep Red Cross alive and well."



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## Comic Books: Can Yesterday's Collectors Become Today's Entrepreneurs?

by David Hofstede

*With comic book shops multiplying faster than a speeding bullet, comics have achieved a level of popularity unmatched since the mid-1960s.*

If you haven't been inside a comic book lately, here's a quick update: Spider-Man is married (to Mary Jane, of course), Supergirl is dead, Batgirl is retired, the 40-year courtship of Wonder Woman and Steve Trevor is kaput, Iron Man is an alcoholic and Magneto, the X-men's deadliest foe, is now one of the good guys.

Surprised? Wait, you haven't heard anything yet. The storylines are not all that's changed — our heroes are now battling social issues along with super-villains. Drugs, homosexuality, racism, AIDS and just about everything else are turning up amidst the POWs, BAMS, and SHAZAMs of comic book tales.

This relatively new sophistication in the medium has attracted the interest of older readers, while rekindling the interest of those who felt they had outgrown their childhood hobby. With comic book shops multiplying faster than a speeding bullet in Las Vegas, comics have achieved a level of popularity unmatched since the mid-1960s, when Marvel Comics created their new breed of costumed heroes.

In 1985, there were two comic book stores in Las Vegas. This year there are 12 such stores listed in the Yellow Pages, most of which opened in the past year. More have appeared since. "For our first year, business has been excellent. The market is real hot right now," reports Steve Marina, owner of Dungeon Comics. Like most people in the comic industry Marina began as a collector, "and it progressed from a hobby to a business." He now has 150,000 books in his store on Maryland Parkway, across from UNLV.

Marina is not disturbed by the sudden influx of competition. "I'm doing better than I anticipated, even with a couple of other stores located within a few blocks." However, despite predictions that the market will remain strong "for the next three to four years," he expects at least three stores to close their doors in the next 12 months. "It will depend on how they're run. The successful stores will have employees who are knowledgeable in the area, and will build up a clientele that is loyal."

Page After Page Comics at 1235 E. Charleston began as a commercial art studio eight years ago. Owner Lyn Pederson was writing a column on comic books for a local entertainment newspaper, "and the more I wrote about it, the more interesting it became." Already an avid collector, Pederson opened "the kind of store I hadn't seen anybody do, something different from just a used book store." He now has 750,000 books.

"It was pretty hard initially, because the market is limited here for specialty items. Maybe in five or ten years it will change but let's face it, for every 2000 people you may get one comic collector." This being

the case, he has trouble explaining the recent proliferation of retailers. "I think they saw only two stores and felt there was plenty of room for more, but they didn't stop and think why there were only two stores in Las Vegas. There had been more but they all died.

"It looks like fun running a comic shop, and it is, but after a certain point there's the hard reality that it's a business, and it doesn't matter

how much fun it is if your books don't balance at the end of the month. It was very difficult for us to get off the ground, and to tell the truth I really didn't expect to be in business this long," Pederson said.

Still, he hopes all the new stores succeed, "because they expand the market. Someone will see one of the stores on the other side of town and become interested in buying comics, and eventually he'll check out the other places in town."

One of the places that this new customer will probably check out is the Friendly Neighborhood Comic Book Store, Las Vegas' oldest at 3981 W. Charleston. When Tom and Mary Heiner first opened 14 years ago, there weren't many comic shops in the entire country. "It was a very unique thing to do at the time," says Mary Heiner, "now it's very fashionable."

Friendly Neighborhood's business has grown steadily every year, and like Pederson, Heiner is happy about the new comic stores in town. "They can all make it if they handle their business right."

The key to Friendly Neighborhood's success, according to Heiner, is a strong camaraderie with the customers. "Some stores don't want the kids hanging around them. You can't say 'you can only come in with \$30 in your pocket.' We have couches and a Coke machine. Some people just come in to talk about comics, and we love that."

One of Heiner's regular customers is 24 year-old Jason Payne, who recently earned a Master's degree in English from UNLV. Payne, a collector for 18 years, spends about \$40 a month on his hobby. "They're basically short stories with pictures, and the writing is as good as in any novel you'll see today."

Payne has remained loyal to Friendly Neighborhood, despite the subsequent opening of two stores closer to his home. "I've known Tom and Mary since I moved here. They are on a first-name basis with all their customers, and the atmosphere is just nicer."

Has anyone ever told him he should be reading Tolstoy instead of *Teen Titans*? "Not really. I've never been embarrassed by it. In fact, I gave the limited series *Camelot 3000* to one of my professors, and he loved it." Heiner numbers more than one college professor among her

steady customers. "We're not talking kids — just kids at heart," she said.

Another collector, 19 year-old Scott McElroy, is finding many fellow enthusiasts "coming out of the closet," so to speak. McElroy has converted a few "non-believers" simply by showing them one of the 30 titles he buys every month. "They're very entertaining — both the stories and the art are top-notch. There's also the added incentive that they might go up in price someday, but if they don't that's all right too."

For some, however, old habits die hard. "They're still just the 'funnies' to most people, and are not acceptable reading material. I've had people come in, buy comics and ask for a dark bag because they didn't want to be seen," said Dungeon Comics' Steve Marina.

Much has happened in the past few years to alter this perception. "Comics have always been the bastard child of publishing," says Lyn Pederson, "but now that's changed." Today's sophisticated storylines are a far cry from the 1950s when William Gaines (founder of *MAD Magazine*) was dragged before a Senate subcommittee over what was then considered gratuitous violence in his infamous (and now classic) *EC* horror comics. Even in 1970, when the Department of Health, Education and Welfare in Washington, D.C. asked Marvel publisher Stan Lee to illustrate the dangers of drug abuse in its *Spiderman* series, the Comics Code Authority (a self-regulating organization founded by comic publishers in the '50s) withheld their authorization.

These days, the Code is about as powerful as Superman in a Kryptonite leisure suit. A few years ago several independent companies began challenging the stranglehold on the comic book market held by powerhouses Marvel and D.C. Free from code restrictions, titles such as *Judge Dredd*, *Love and Rockets*, and dozens of others shattered the barriers on violence, language, sex and controversial issues. Sometimes, as in *Dredd* and *Rockets*, it paid off with superb stories. But more often than not, the result was simply exploitation. Mary Heiner calls it "the black month in comic book history — 500 new series, and everybody thought they knew how to write comics."

Joe Jones, owner of the three (and soon to be four) Triple J Comic Stores in Las Vegas, also remembers the would-be revolution, and its aftermath. "After the initial wave of buying just because they were 'different' wore off, people began looking at them for what they were, which is junk." Over at Dungeon Comics, Steve Marina reports selling "maybe 10 to 15 independent comics a week, a very minimal amount."

Marvel and D.C. have since reclaimed a larger share of the market, with a few quality independents still holding on. But their influence has crept irrevocably into the main-

stream, where the old barriers had already begun to crack. The independents simply hastened the process.

In Marvel's *Daredevil* for instance. *Daredevil*'s old flame Karen Page was recently returned to the series as a drug addict, reduced to appearing in porno movies to support her habit. In the new *Superman* series, Police Captain Maggie Sawyer is a lesbian. And in *The Punisher*, Marvel's hottest new series, the hero is a vigilante who shoots first and never asks questions. All three stories are handled tastefully and intelligently, but clearly we're a far cry from "the funnies".

The new freedom in comics has attracted top creative talent from other media, who have further contributed to the industry's development. "Comics used to be pretty incestuous, in that the people that read them became the people who wrote them," recalls Lyn Pederson, "now we're getting a fresh view from people that also write plays and novels."

To some extent, this explains the new criteria for determining which comics are "hot". Until recently it had been the characters that sold the comics. Now there has been a shift in emphasis to the people behind the books. When Walt Simonsen began writing and drawing Marvel's *Thor*, the title was spinning its wheels. Overnight it became one of the company's most popular comics. When he left, so did the momentum. Writers and artists such as Alan Moore, Frank Miller, Chris Claremont, Jim Starlin and Paul Chadwick are well-known to any collector.

There has been some resistance to the new sophistication in comics, but not very much. "People like Moore and Miller have brought the form up from guys running around in tights to adult themes," says Pederson, "and you can't have adult themes without a certain amount of sex and violence. It's a strange phenomena that the things considered 'mature' in comics are not mature anywhere else. The work of Moore would not be shocking in any other media. There's nothing in a comic that's even going to approach prime time TV or movies like *Friday the 13th*."

Friendly Neighborhood's Mary Heiner wholeheartedly supports the changes, but keeps a number of books that might be considered objectionable for younger readers off the shelves. "I try to talk to parents and say 'check this out.' I don't censor anything. I get permission. The kids don't mind, and the parents appreciate being included."

One recent case in point was *The Dark Knight*, a hugely popular limited series by Frank Miller that was written up in *Time* and *Rolling Stone*. Batman was the star, but those who only know the character from the old comic series (or, worse yet, from the '60s TV show) would hardly recognize the Caped Crusader. The storyline has Batman, now in

his 60s, returning to action in a vicious, bloody war against gangs of mutant punks that are terrorizing Gotham City.

"You might not have seen the violence in *Dark Knight* five years ago," admits Heiner, "but you also wouldn't have seen the quality, and we need that. I checked with parents about the book and they liked it so much they read it before their kids."

However, she has no tolerance for people who ask her "How can you sell this stuff?" "They are narrow-minded poops. I tell them it's a matter of taste, and they don't have to buy it. But we're talking about an American art form here."

Triple J's Joe Jones believes the industry is doing a fine job regulating itself, remembering D.C.'s recall of the first issue of its *Blackhawk* series over a controversial sex scene, so it could be labeled "For Mature Audiences." There was a big stink about labeling them, but I don't see anything wrong with it. Those kinds of books aren't for kids anyway."

Like most older readers, Jason Payne couldn't be happier about the state of comics today. "It used to be just hero, villain, fight, resolution. Now the books are more interesting." He believes the changes are beneficial for younger readers as well, because "they're not getting much social consciousness from movies and TV. So what if there's a lesbian character in *Superman*? You can't take the Moral Majority attitude that something is wrong, so we don't expose our kids to it. These things exist, at least here they are presented in a tasteful manner."

If the stories don't drive the kiddies out of the market, the prices just might. Most comic books are now \$1 apiece, with deluxe editions called "graphic novels" (such as *Dark Knight*) selling for anywhere from \$4-\$12. "I can handle \$1 for the regular books," says Payne, "because the quality has improved. The paper stock is thicker, the books last much longer and look better. But the graphic novels are a little outrageous."

Lyn Pederson remembers buying everything on the racks for \$22. Now you can spend \$100 and still not get it all. "It won't eliminate the younger readers, but they'll have to be more selective, which means the retailer has to be very careful. If I get stuck with a 75 cent book it's not so bad, but if I'm stuck with a bunch of \$5 books I'm in big trouble."

The higher prices and content changes are also having an effect on the back-issue market. Stories old and new are being repackaged in special editions, which are dropping the price of the originals. "It's a lot like record collecting," says Pederson, "people just want to listen to the music — they don't care if it's a first or second pressing of the album. Since they brought out reprints of the first ten *Spiderman* comics, interest in those issues have gone



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down. They can now be bought in a form that's permanent and can be read (without the risk of damaging a sizable investment)."

Overall market prices have stabilized, after years of jumping 35-50 percent annually. In four years *Fantastic Four #1* went from \$50 to \$500. "Now you're lucky to get a ten percent increase every year," says Pederson. "We have very few people looking for old Marvel and D.C.s, indicating that the audience nowadays wants to read new comics. Also, a lot of the older books are starting to look pretty primitive to today's readers."

"There are a lot of books published ten years ago that don't even reach cover price now. The mythology of comic being an expensive collector's item is only true to a very small extent, but that's the part that gets written up in the newspapers." Every year still produces a few gems, though. *The Killing Joke* revealed the origin of Batman's perennial nemesis, The Joker. Priced at \$3.50, this popular graphic novel debuted in April, and before it hit the stands Pederson was hearing prices from the East Coast starting at \$20. "Buy what you like," advises Mary Heiner, "if it goes up in value, it's a bonus."

Pederson expects the move toward higher-priced books to continue in the future, and — Holy Microchip! — computer comics are now a reality. Buy a disc, plug it into your handy home computer, and watch the action unfold. From a creative standpoint these innovations may be welcome, but economically they could spell trouble for the industry. "If we have any kind of economic disturbance in the next two years the comic book business is going to suffer mightily. They'll have to put out a series of smaller-priced books for a younger audience, and then raise the prices for the mature stuff. Adults won't mind paying \$5.95 or even \$12.95 for quality."

Parents can rest easy, however — Pederson does not expect to take the next step beyond mature into hardcore, at least in the mainstream. "The fringe element will always be there, but the major companies won't go much further because it's not commercial. You're still dealing with comic books. The shock waves from something like overt sex would be horrible. They'd have to limit access, and they don't want to do that." So those of you waiting for that Wonder Woman centerfold, don't hold your breath.

As for those dozen-plus comic bookshops, the future should be met with guarded optimism, according to Pederson. "When people come to me and say they want to open a store, I sit down with them and explain what they're going to go through, because there's nothing worse than starting a business that ruins your hobby. But if you've got enough interest and enthusiasm, you'll make it."

# The Silver Dome



## Other Tax Proposals Scheduled for the Ballot

There's a lot of interest focused on a ballot proposal for a corporate income tax in Nevada. But there are four other ballot questions dealing with sales taxes that haven't stirred up as much controversy.

Question Five would exempt from the sales and use tax any personal property that is donated or loaned to tax-exempt organizations such as churches or civic groups.

Proponents say passage of this proposal would encourage the donation or loan of items to the tax-exempt organizations by eliminating the tax. But opponents say the plan would reduce sales tax revenues available to state and local governments.

There's no estimate on the fiscal impact of Question Five, although state officials believe the impact would be slight.

Question Six would exempt 40 percent of the receipts from sales of new manufactured or mobile homes when compared with conventional homes.

Mobile home and manufactured home builders pay sales taxes on construction materials, and then an additional sales tax is assessed when the dealer sells the home to the retail buyer.

By comparison, only the materials in conventional homes are subject to the sales tax. The proposal would remove that difference and make the sales tax treatment similar.

The proponents of Question Six say it would reduce the sales tax burden for buyers and also help consumers by lowering the cost of the manufactured or mobile homes. And that could stimulate still more sales.

Critics of the plan feel maintaining its passage would reduce sales tax revenues by up to \$2.3 million annually for state and local governments. This compares with Nevada's total sales tax revenue of about \$556 million in fiscal 1987.

Question Seven would exempt from taxation the sale of building materials, machinery and equipment to qualified businesses in depressed areas of the state.

Proponents say the change will stimulate economic development in these areas. Its approval would provide a tax incentive to encourage revitalization of designated areas within communities.

The proposal also would encourage existing businesses in the designated zones to improve and expand, thus enhancing property values and increasing property tax revenues. New job opportunities also could be created.

But critics argue that the businesses would get unfair advantages over any rivals in areas just outside the depressed zones. The opponents also maintain the state shouldn't make changes in its tax laws to stimulate economic development since other techniques are available for this purpose.

Passage of Question Seven could reduce the amount of future sales tax revenue for state and local government. But any loss could be offset by increases in revenue from property taxes and sales taxes resulting from higher property values and business activities.

Question Eight would exempt from the sales tax the sale of gold, silver or platinum bars or medallions authorized by law to bear the state seal. The exemption also would cover such precious metals sold as bullion, ingots, bars or coins.

Proponents say the change would put Nevada on an equal footing with nearby states which don't impose taxes on similar sales. The proposal could serve as an incentive for economic development in Nevada by encouraging the purchase of precious metals for investment.

Critics say the passage of Question Eight could reduce sales tax revenues. However, those lost revenues aren't known, and would depend on the amount and value of precious metals that qualify for the exemption.

## NSPA to Lobby for Unrestricted Factory Safety Information

The Nevada State Press Association plans to ask the 1989 Legislature to change a state law restricting information on factory safety; a law that limited access to safety records of a Henderson plant demolished last May.

Former Governor Mike O'Callaghan, who held office at the time the law was passed in 1973, says the statute was designed to protect workers who provided state officials with information on safety problems at plants.

O'Callaghan, who is now chairman of the board of the *Las Vegas Sun*, says it's time to change the current law to open up access to safety records. But he says some restrictions should remain so that "whistleblowers" will still come forward with information.

The move followed the massive explosion at Pacific Engineering & Production Co. in Henderson. A series of explosions at the plant

killed two people, injured 326 and caused more than \$73 million in damage in the Las Vegas Valley.

After the blast, plant employees and the International Steelworkers Union raised charges of previous safety violations at the plant. But the state Division of Occupational Safety and Health had declined to release information because of the 1973 law.

## Senior Executive Task Force to Recruit New Business

Lt. Governor Bob Miller has announced the formation of a retired senior executive task force that will help in recruiting business to Nevada. The group will serve as an informal, unpaid advisory board to the state Economic Development Commission chaired by Miller.

The first members of the task force are Reno business consultant John Bancroft, former IBM vice president Arthur Anderson, and Charles Merdinger, formerly of the Navy Civil Engineer Corps and a director of a *Fortune* 500 company.

"We are fortunate to have many retired business executives in Nevada who know what companies are looking for when they want to relocate and who have the know-how and contacts to help us diversify our economy," Miller says.

"These are CEOs who want to see large and small businesses prosper in Nevada. They are willing to give their time to offer advice and serve as unofficial goodwill ambassadors on behalf of Nevada's business community."

## Pooled Bond Issue Wins Approval

The state Board of Finance has approved a pooled bond issue for two Northern Nevada companies in what Commerce Chief Larry Struve terms a new chapter in Nevada's economic diversification efforts.

The board approved a \$7.6 million industrial development revenue bond issue for Durabond Inc. of Carson City and a \$1.1 million bond issue for Kinplex Co. of Stead.

The underwriter for the bond pooling is Donaldson, Lufkin and Jenrette of New York, working in a joint venture with Developing Systems Ltd. of Washington, D.C., headed by Dr. Ronald Mueller.

Struve says that under the plan, the bond issues will be pooled by the underwriter which in turn will seek international bank letters of credit to guarantee the bonds.

He adds that with the international bank backing, the bonds can be sold at the lowest possible interest rate.

"It means we can get the type of bond rating that IBM or some other blue-chip company would get," says Struve. "The big benefit is that it restores the ability of the Department of Commerce to issue tax-exempt revenue bonds at a competitive interest rate."

Struve says that helps the economic diversification effort by inducing new or existing businesses to locate or expand in Nevada where they can get low-interest money, he said.

Durabond is planning a 68,000 square-foot facility in the Carson City Airpark. The company makes camshaft bearings for rebuilding engines. The operation will employ about 85 people.

Kinplex plans a 30,000 square-foot building at the Silver Lake Center in Stead. The company makes stainless steel food service equipment and plans to employ 30 people at what will become its West Coast distribution center.

## Critics Claim That Utility Rate Regulation Will Raise Rates

A legislative subcommittee has recommended that the 1989 Legislature approve a mechanism for setting utility rates that critics claim will increase bills paid by consumers.

Under the plan, the state Public Service Commission would be allowed to set rates based on estimated future costs of the utilities.

The PSC is the only utility regulating entity in the country mandated to set rates based on actual expenses incurred by a utility over a past period known as a historic test year.

Assemblyman Bob Kerns, R-Reno, argued for the future test year concept, saying rates could be reduced in times of lower interest and bond rates if the PSC had the option of using the mechanism.

PSC chairman Scott Craigie says it was obvious from the start that the subcommittee chaired by Kerns intended to support the new rate mechanism.

"The utility companies got everything they wanted and the commission didn't get anything," he added. Craigie and state Consumer Advocate Jon Wellinghoff say they will lobby against the plan in the 1989 Legislature.

"It means another whole series of wasted, expensive hearings before the Legislature that Assemblyman Kerns and his fellow committee members will put us through," says Wellinghoff.

## Employers Join Forces with Worker Coalitions to Call for Insurance Reform

A group of Southern Nevada employers has joined worker coalitions in calling for drastic reforms in the State Industrial Insurance System.

The employers charge that fraudulent claims are not being investigated and that premium rates charged employers are among the highest in the nation.

The employers' group joins various injured worker coalitions which have been urging elected officials to investigate the insurance system. The workers' group claim the agency isn't doing its job in helping those who have been hurt on the job.

Now the new group, the Employers for Workers' Compensation, says the system is causing problems for various companies and businesses. They want the 1989 Legislature to make changes in the system.

Bill Douglas, general manager of Steel Structures, Inc. and head of the group, says SIIS is the oldest continuous bureaucracy in the state and "isn't doing its job and that's the bottom line. We want to see changes made so that injured workers are taken care of and employers are not being hurt by bad claims."

The insurance system is funded by employers. The premiums paid vary, depending on the employees' job classifications.

"We have been aware of problems for a long time because each of us has had to deal with these claims," Douglas said. "But now it's getting outrageous. We are not against workman's compensation. We are very much for it. What we want is good organization within the State Industrial Insurance System."

Fred Aberle, president of General Tire Service and vice president of the group, said the system has only initiated prosecution on one fraud case in the past four years.

The group wants legislation that would establish a fraud unit through the state attorney general's office that will investigate insurance system cases.

"With the SIIS having a reserve fund of \$600 million, plus collecting another \$100 million a year from Nevada employers, we believe that we should have a system that is superior to any other," Aberle said. "We are paying for a first-class system. To date, we are not getting it."

Laury Lewis, the system's general manager, said about one dozen insurance system fraud cases are being investigated by the Clark County district attorney. He said when any cases are discovered they are turned over for prosecution.

## NCSL to Boost the Northern Nevada Economy

Northern Nevada expects an economic boost of over \$6 million this summer when thousands of delegates convene in Reno for the 14th annual National Conference of State Legislatures (NCSL) July 24-29. The NCSL is a non-partisan organization created to provide research, technical assistance and forums to exchange ideas for the nation's state lawmakers.

Over 6,000 of the country's 7,400 state legislators and legislative staff, business and industry representatives and other government officials are expected to attend the five-day event — a record number according to NCSL co-ordinators. Many attending are expected to bring their families with them.

Besides reaping millions of dollars in "direct expenditures" from the gathering, Nevada should focus prominently in the eyes of the national media. "Leadership for America's Future" is the theme of this year's NCSL, and top social leaders, presidential candidates, and other key figures in both the Democratic and Republican political races are expected to address the conference during its plenary sessions.

Spokesmen for the State of Nevada NCSL Host Committee believe the widespread news coverage generated by the event will "enable the citizens of Nevada to present our state to the entire nation and demonstrate the lifestyle, beauty and friendliness we have to offer."

To further capitalize on the conference, co-ordinators will be working with economic development organizations across the state to provide seminars for visitors representing the private sector. This is the first time any state has used the conference to promote its business opportunities.

Besides several general plenary sessions, the NCSL will conduct some 35 concurrent seminars where issue experts will focus on specific topics of concern to state legislators. Nine subject areas will be covered: general government; arts; education; criminal justice; economic development; human resources; energy, science and natural resources; fiscal affairs; and legislative management.

Topics tentatively scheduled include:

- The Expanding Role of Banks in the Financial Marketplace
- Arts in Education
- Doing More With Less: New Options For Funding Public Education
- Drunk Driving Laws: How Well Are They Working?
- State International Trade Development: Stepping Up the Pace
- Treating the AIDS Patient
- What Is a Good Tax System
- Ethics in Government: Can They Be Legislated?

In addition to plenary and concurrent sessions, meetings of the NCSL's 19 standing committees will be held. The committees are divided into the Assembly on the Legislature (AOL) and the State-Federal Assembly (SFA). The AOL serves as a major forum for the exchange of ideas and information among state legislatures; the SFA examines state-federal issues and develops policies that guide the Conference's lobbying efforts in Washington, D.C. Policies approved by the SFA throughout the year will be voted on at the business session during the annual meeting.

APL Committees include: Arts, Tourism and Cultural Resources; Children, Families and Social Services; Criminal Justice; Economic Development; Fiscal Affairs and Oversight; Legislative Organization and Management; Science, Technology and Resource Planning; and State Government Issues and Organization.

SFA Committees include: Agriculture, Food Policy and Rural Development; Commerce, Labor and Regulation; Education; Energy; Environment; Federal Budget and Taxation; Government Operations and Pensions; Health and Human Services; International Trade; Law and Justice; and Transportation and Communications.

The sessions will be supplemented by exciting social events, including a Glen Campbell show at Reno's Lawlor Events Center.

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MOBILIZING AMERICA'S VOLUNTEERS

## The Investment Process — Part II Investment Objectives for Plan Sponsors

by Annette Bidart and James Ross

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

### SETTING REALISTIC INVESTMENT OBJECTIVES

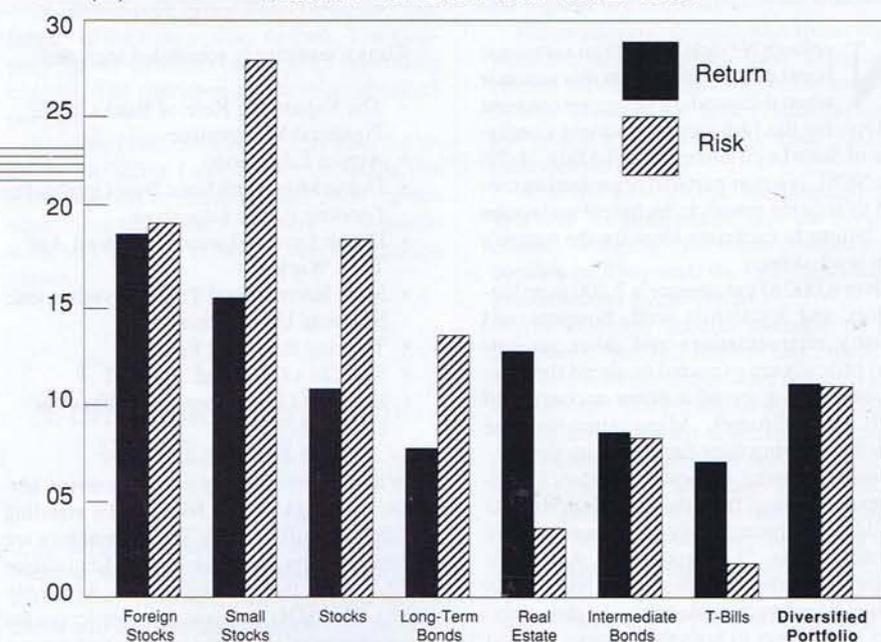
Once the plan sponsor has evaluated the particular needs in managing the assets of the plan in question, the next step to the investment process is setting realistic investment objectives.

Each plan's objectives will differ depending upon the needs and the makeup of the employee and trustee base. It is taken for granted that we all want to receive the highest return for the lowest risk, but investment performance is a process that takes many variables into consideration. The realities of the capital markets have demonstrated the more risk you are willing to assume, the higher the reward over the long term. Understanding the risk and reward characteristics of different asset classes such as cash, intermediate-term bonds, real estate, long term bonds, stocks, small stocks, foreign stocks and venture capital is the initial step in setting realistic investment objectives.

Having all of a funds money in one asset class, such as cash, runs the risk of not keeping up with inflation; on the other hand, having all of the assets in stocks runs the risk of short term major down swings. Each investment class has different risk and reward characteristics and each is acknowledged as a prudent investment asset class for a retirement plan, but not any one on its own would build a prudently diversified portfolio.

The investment management consultant can help plan sponsors set investment objec-

VARIOUS ASSET CLASSES  
Return Versus Risk 1972-1987



tives that will take into consideration the realities of the capital markets, along with the needs of the client and his risk tolerances.

The chart above is a simple illustration of the historical differences between the risk and returns of various asset classes.

In the five years, 1982-1986, the stock market, as measured by the S&P 500, showed an annualized return of 19.9%, while the bond market, as measured by the Salomon Brothers Index, yielded an annual return of 22.4%. In 1976, when the S&P was up 23.8%, small stocks were up 57.4%. In 1981, T-Bills earned a return of 14.7%. These returns are historically interesting, but they are not realistic over a longer period of time as the above chart shows. Trying to time these markets, getting in and out at the opportune time, is an exciting thought, but it does not work over the long run. Consequently, a well thought out, long term investment objective is the responsibility of the plan sponsor in setting up the investment process of the plan. The investment management consultant can play an important role in

helping the sponsor meet this responsibility. What is realistic and how should the investment decisions be implemented are some of the issues that the consultant can help answer.

After the plan sponsor and investment management consultant have determined the needs of the plan and its key players, and a review and discussion of realistic investment objectives have taken place, the appropriate asset mix can then be developed. This subject will be discussed in next month's article, part three in a series of articles on Pension Talk — "Determining an Appropriate Asset Mix: The Use of Optimal Portfolio Mixes."

*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.*



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## Nevada Business Journal Index Falls in Sympathy With Weak Market

Fears of another round of interest rate increases sent investors scurrying to the sidelines once again during the monthly trading period ended May 27th.

Stocks in the state of Nevada fell in response to these fears as did most stocks throughout the country since our last report. The Nevada Business Journal Stock Index, which monitors the movements of 34 stocks in the accompanying stock table, best reflects the weak infrastructure of the stock market in our region. For the four-week period, our local indicator tumbled 107.27 points, or 5.85 percent, en route to a close of 1727.14. It is the lowest close for the Nevada Business Journal Stock Index in the last three months. Likewise, the Dow Jones Industrial Average also embodied the weakness of the market on a national basis in May, as this widely-monitored index of 30 stocks fell 4.47 percent for the same period.

Golden Nugget (up \$1.37 a share and the largest dollar gainer of the lot in May) bucked the downtrend of the most of the stocks in our region last May amid reports it concluded its previously announced plan to buy as many as 5 million share of its common stock. The gambling concern, however, didn't say how many shares it bought back under the plan. Last October, Golden Nugget bought 10.4 million of its shares for \$13.25.

Showboat (up \$1.00) also bucked last month's downtrend as the Culinary and Bartenders Unions received clearance from the SEC to solicit proxies in opposition to eight anti-takeover proposals submitted by the management of the gaming concern. Showboat, which owns and operates the Showboat Hotel and Casinos in Las Vegas and Atlantic City, has recently been rumored to be a takeover target.

Circus Circus (down \$2.37 and the largest dollar loser for the month) announced that it will exercise its option to purchase 117 acres on the south end of the Strip for \$43,250,000. The gambling concern plans to develop a major hotel and casino complex on the site, with a projected opening date in mid-1990.

Vanderbilt Gold (down \$.12) agreed to privately place one million new common shares, or about a 8.2 percent stake, with Brenda Inc., a subsidiary of Brenda Mines, for \$4 million. In addition, Brenda agreed to pay \$200,000 in exchange for a 50 percent stake in Vanderbilt's current exploration projects in Colorado, Wyoming, Utah and Nevada.

In dividend news, First Western Financial boosted its annual dividend to \$.32 from \$.28 per share. Investors approved of the hike as First Western gained \$1.25 per share for the month of May.

### NEVADA BUSINESS JOURNAL STOCK INDEX

Exch	Company	Ticker Symbol	Closing Price		Net Change in Period	% Chnge in Period	P/E Ratio	Annual Dividend		Annual	
			04/27/88	05/27/88				Rate	Yield	High	Low
OTC	Amserv	AMSR	2.63	2.38	-.25	-9.51	d	0.00	0.00	4.13	1.50
OTC	Cadema Corp (L)	CDMA	1.13	.75	-.38	-33.63	—	0.00	0.00	2.63	.75
NYS	Circus Circus	CIR	29.75	27.38	-2.37	-7.97	17	0.00	0.00	33.50	17.50
ASE	Elsinore Corp.	ELS	2.00	2.00	0.00	0.00	d	0.00	0.00	3.75	1.25
OTC	First Western Financial	FWES	6.75	8.00	1.25	18.52	9	.32	4.00	11.38	5.63
OTC	Frontier Savings (L)	FRNT	2.38	2.25	-.13	-5.46	—	0.00	0.00	3.75	2.00
OTC	Gaming and Technology	GATI	4.75	5.00	.25	5.26	9	0.00	0.00	7.38	3.00
NYS	Golden Nugget (H)	GNG	12.38	13.75	1.37	11.07	3	0.00	0.00	15.25	7.63
OTC	Hytek Microsystems	HTEK	2.50	2.50	0.00	0.00	8	0.00	0.00	3.75	1.25
OTC	Int'l Game Technology	IGAM	13.75	13.75	0.00	0.00	15	0.00	0.00	14.00	7.13
NYS	Jackpot Enterprises	JACK	13.63	12.50	-1.13	-8.29	14	.20	1.60	14.50	6.75
OTC	Linear Instruments	LINR	.88	1.06	.18	20.45	—	0.00	0.00	1.75	.63
OTC	Major Video Corporation	MAJV	9.75	9.38	-.37	-3.79	30	0.00	0.00	11.00	3.13
OTC	MarCor Development	MAAR	1.88	2.13	.25	13.30	—	0.00	0.00	4.38	1.75
OTC	Migent Software (L)	MGNTF	1.88	1.25	-.63	-33.51	—	0.00	0.00	6.75	1.00
OTC	Nevada National Bancorp	NENB	7.13	7.38	.25	3.51	d	0.00	0.00	7.50	5.75
NYS	Nevada Power	NVP	21.00	20.25	-.75	-3.57	10	1.48	7.31	22.25	16.38
NYS	Sahara Casino Partners	SAH	8.38	8.50	.12	1.43	—	.75	8.82	9.00	5.75
OTC	Sahara Resorts	SHRE	17.75	17.50	-.25	-1.41	—	0.00	0.00	20.00	6.50
OTC	Sands Regent	SNDS	9.25	9.25	0.00	0.00	9	0.00	0.00	13.75	7.75
NYS	Showboat Inc.	SBO	9.00	10.00	1.00	11.11	—	.28	2.80	16.75	6.13
ASE	Sierra Health Service	SIE	2.63	2.38	-.25	-9.51	—	0.00	0.00	4.63	1.63
NYS	Sierra Pacific Resources	SRP	21.89	21.75	-.14	-.63	11	1.76	8.09	26.00	18.00
NYS	Southwest Gas	SWX	20.38	20.00	-.38	-1.86	9	1.34	6.70	26.75	18.25
OTC	Sun State Savings & Loan (L)	SSSL	6.75	6.13	-.62	-9.19	7	0.00	0.00	11.50	5.25
OTC	Sunworld Int'l Airways (L)	SUNA	.13	.09	-.04	-30.77	—	0.00	0.00	2.38	.06
OTC	Syntech International	SYNE	3.88	3.38	-.50	-12.89	—	0.00	0.00	9.50	2.88
OTC	United Mining	UMIN	.19	.19	0.00	0.00	—	0.00	0.00	.88	.06
OTC	Vacation Spa Resorts	VSPA	.13	.06	-.07	-53.85	1	0.00	0.00	.13	.03
OTC	Valley Capital Corporation	VCCN	29.00	28.00	-1.00	-3.45	8	.80	2.86	32.00	19.00
OTC	Vanderbilt Gold	VAGO	4.50	4.38	-.12	-2.67	—	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 (L)	WSTR	.59	.53	-.06	-10.17	—	0.00	0.00	1.63	.44
OTC	Xebec	XEBC	.28	.28	0.00	0.00	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  
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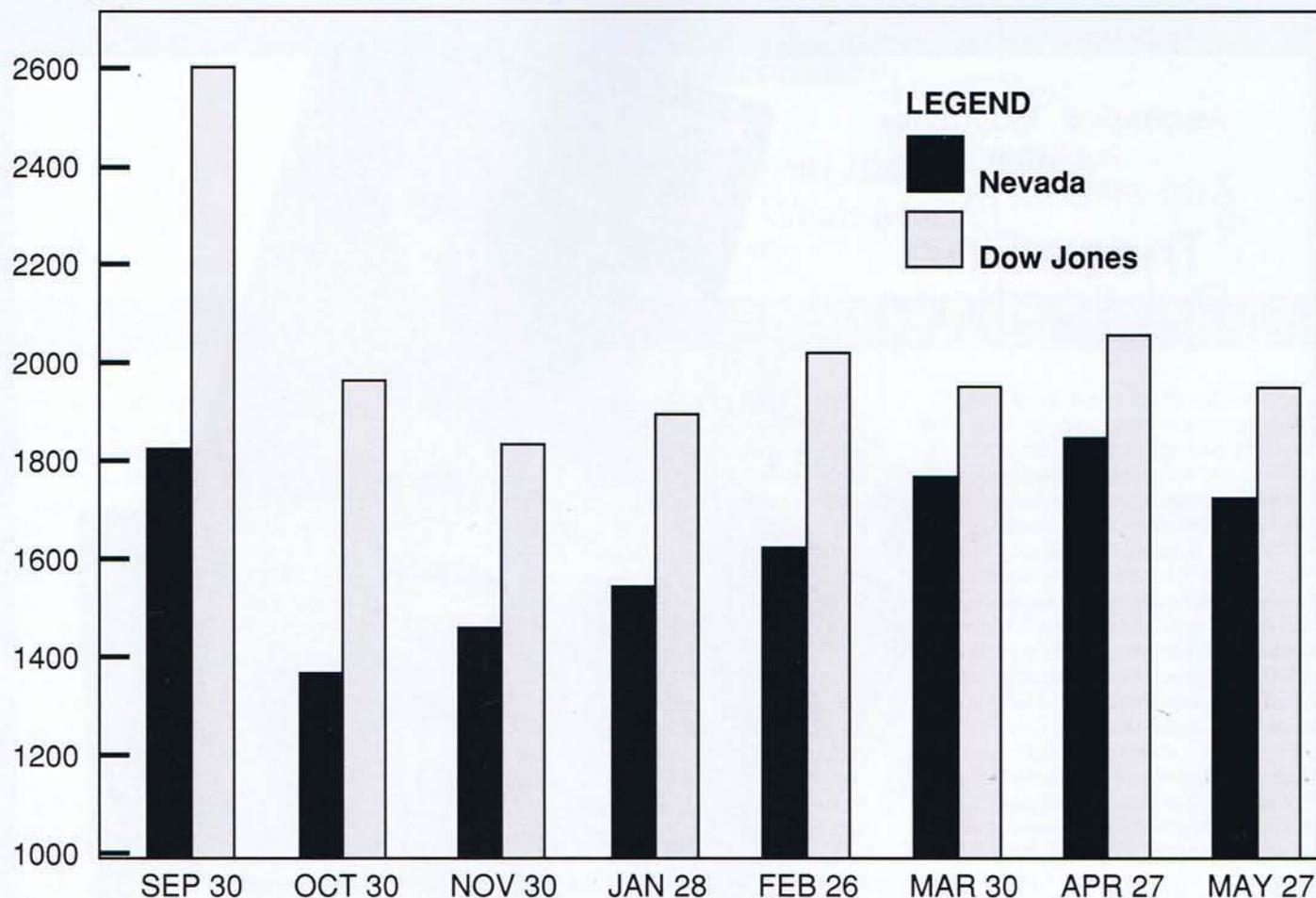


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### CLOSING QUOTES FOR BAR CHART (Above)

Date	Nevada	Dow Jones
09/30	1827.69	2596.28
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

### MARKET DIARY

Advances	8
Declines	19
Unchanged	7
New Highs	1
New Lows	6

### MOST ACTIVE ISSUES

Largest Dollar Gainer	Golden Nugget	\$1.37
Largest Dollar Loser	Circus Circus	-\$2.37
Largest Percentage Gainer	Linear Instruments	20.45%
Largest Percentage Loser	Vacation Spa Resorts	-53.85%

### INDICES

	Close 04/27/88	Close 05/27/88	Net Chng in Period	Percent Chng in Period
Nevada Business Journal Stock Index	1834.41	1727.14	-107.27	-5.85
Dow Jones Industrial Average	2047.91	1956.44	-91.47	-4.47
N.Y.S.E. Composite	148.94	143.66	-5.28	-3.55
Standard & Poor's 500-Stock Index	263.81	253.42	-10.39	-3.94
NASDAQ OTC Composite	378.67	366.66	-12.01	-3.17

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**PERFORMANCE AUTO BODY**, 3347 Meade Av, LV, NV. (702) 362-1950. State license. Free estimates.

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**FLOMAR BAKERY**, 1083 E. Tropicana, LV, NV. (702) 736-4306. We specialize in liqueur cakes, such as Amaretto & Kahlua. 8 am-6 pm Mon-Sun.

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**BLACK HAIR, 2001**, 1200 N. Highland, LV, NV. (702) 646-0037. Curls (short hair) \$30. Tues-Sat. 9 am-6 pm.

**CASSANDRA'S**, 3242 E. Desert Inn Rd, LV, NV. Hair, skin & nail care for men, women & children. Tanning salon. Vibrosau body conditioning. No appointment necessary. (702) 731-0006.

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**SAN DIEGO, OCEAN PARADISE**, Completely furnished condominium located on ocean edge in San Diego. Two bedrooms, all-electric kitchen complete with self-cleaning oven, microwave, dishwasher, all cooking utensils. Beautiful interiors with ceiling-to-floor, wall-to-wall windows facing the beach. Secured parking garage and 24-hour on-site security. This romantic get-away can be yours for \$225,000 (terms available, trades considered). Call weekdays (702) 735-2229.

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# LOCAL STOCK OPPORTUNITY



MarCor Development Company, Inc., is a real estate-based investment and services company, headquartered in Las Vegas, Nevada. The company reported a record net income for the fiscal year ended February 29, 1988 of \$2,113,048 or \$0.21 per share (primary).

With a dynamic new approach toward the acquisition and development of properties MarCor is fast becoming a force in the Southwestern United States regional real estate market. The growth potential is further enhanced by the Company's aggressive marketing of its service activities such as consulting, property management, leasing and realty brokerage.

MarCor has a unique perspective of its market through its affiliation with Marnell Corrao Associates Inc., the 13th largest design build firm in the United States. Marnell Corrao, also headquartered in Las Vegas, has constructed over \$1.1 billion of property value since its inception in 1970.

MarCor Development Company, Inc. should be purchased by investors who are seeking above average growth opportunity; however, each individual should consider this investment opportunity in light of his/her own investment objectives and financial resources. Additionally, low-priced stocks involve certain risks and may not be appropriate for every investor.

Recent Price . . . 2 1/16 (May 19, 1988)  
NASDAQ Symbol . . . . . MAAR  
Shares Outstanding . . . . . 9,350,000  
Est. Float . . . . . 2,475,000  
No. Shareholders . . . . . 675

At the time of this report, officers, directors, employees, affiliated companies or the firm may have a position in MarCor Development Company, Inc., Common Stock. Additionally USA Capital Management Group, Inc., acts as a market maker for MarCor Development Company Common Stock and further USA Capital owns options to purchase MarCor Development Companies Common Stock of which we are recommending.

*For more complete information on  
MarCor Development Co. Inc., please call  
TOM HANTGES at (702) 734-8721  
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