

# Nevada Business *Journal*

OCTOBER 1988  
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prepare for annual  
convention in Reno**

**Mead Distribution  
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## **6** The Office: A Facility Based on Change

We have become a nation of office dwellers. Because 40 percent of the working population spends one third of their lives there, it is crucial that the office environment be flexible, comfortable and efficient while encouraging employee productivity.

## **12** Just the FAX Ma'am

Making inroads in this age of instant communication, the facsimile machine gets the facts down in black and white — and within 20 seconds.

## **16** Mead Reorganizes Under Zellerbach Banner

Distribution conglomerate, Mead Corporation, reorganizes nationwide under the time-honored name of Zellerbach, which was acquired by Mead in 1986.

## **18** Tandem's Data Communications Network

This company's on-line transaction processing computers and networking hardware and software blend flexibility and reliability.

## **20** California Grocers Prepare for Convention in Reno

Celebrating 90 years of service to the California grocery industry, the California Grocers Association readies itself for its annual convention — the largest state grocers convention and trade show in the nation.

## **22** Cellular One Opens New Retail Store

With the opening of its new retail store, Cellular One becomes the only full-service cellular telephone outlet in Southern Nevada.

## **24** Coldwell Banker Makes Unique Advertising Investment

While most advertising budgets are planned and expended scrupulously with a watchful eye on per-person-exposure costs, Coldwell Banker is enthusiastic about its somewhat unorthodox purchase.

## **27** Government Fraud: The Corporate Death Penalty

In an environment of increasing intolerance for fraud, Government contractors are encouraged to proceed with caution, adopt strict controls and initiate policies of self-review as ways to withstand scrutiny.

## **30** Commentary: Lessons from "Small Business College"

In the world of small business, the road to success is not always smooth. One graduate of "Small Business College" has learned that the school of hard knocks can deliver a harsh lesson.

## DEPARTMENTS

## **32** Silver Dome

## **35** Pension Talk

Part five of a six part series discusses how to find qualified money managers.

## **38** Tax Tips:

Changing a prior year's tax return.

## **39** To Your Health:

Mammography — essential for the early detection of breast cancer.

## **40** Nevada Briefs

## **43** In the Executive Suite

Nevada executives on the move

## **45** Nevada Business Journal Stock Index



### ON THE COVER:

The focal point in this well-appointed conference room, designed by Goodman's for the Las Vegas law firm of Jimmerson and Combs, is the custom-designed, marble conference table. For more on office environments, turn to page six.



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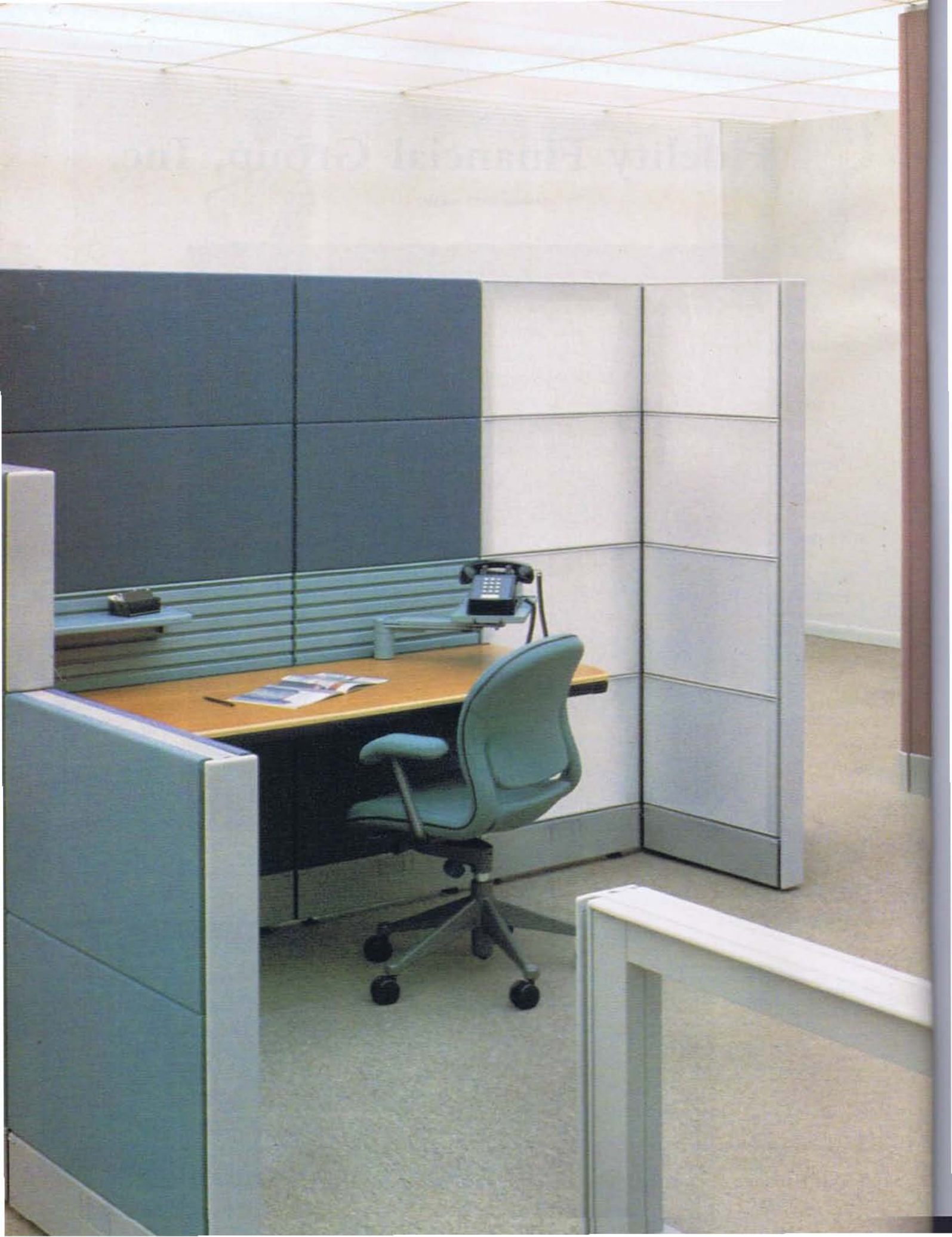
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# THE OFFICE

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A facility based on  
change

by Ronald Weddell, A.I.A.

**T**he office. What is it?

One of the most elusive characteristics of the computer age is a clear definition of the work environment called the *office*. We are a nation of office dwellers. For 35 million people in the United States — approximately 40 percent of the working population — the office is our place to work. We spend one third of our lives there.

*Interchangeable tiles attached to a structural frame create new flexibility and individuality for modern offices. Called "Ethospace", the system was designed for Herman Miller, Inc. by internationally-known designer Bill Stumpf.*



*"Ethospace" office by Herman Miller reflects an open, task-oriented approach to functional use of space that increases employee productivity.*

In one generation, the office has migrated from a place of little consequence in man's affairs to one of most serious effect. The office today is a sociological statement. How much do we know about the office as a place for humans? What are its present aims, how well does it function?

The office is the result of slightly over 100 years of evolution. The age of Lincoln had no typewriters, telephones, copy devices and little of the staff or administrative organization which are now the very essence of office life for our millions of office dwellers.

The rise of the textile industry in the 1830s and the rise of the railroads to big business scale in the 1890s caused the first real attempt to group people and to surround them with services we recognize as offices. Boss and clerk were the basic forms of the office.

To this day, some offices — at least in their environmental make-up — haven't changed much. The office of the present and future must adjust to accelerated growth that probably has to maintain an eight percent per year annual compounded growth to consider staying up with the times.

### Computers Change Rules

The computer has changed all the rules but has created major problems with its deluge of information that is redundant, out of date, overly specialized, and in some cases, incomplete. Offices and office workers face the problem of having too much information and not enough information. The Department of Labor states there are approximately 25,000 distinct occupations of which 95 percent are office based. Many are in a constant state of redefinition.

Combine these unique occupations with the rise and need for individuality and you can see the dilemma of offices that reflect sterile uniformity where status is the only definition. This is a major hurdle to overcome if an organization is going to depend on its people for productivity. Rarely in an office does a person have only one job and one thing to do. Typically, we have multi-responsibilities which have to be treated separately. The offices of the past reflected a single-dimensional office worker. The offices of the present and the future have to allow workers' furniture and

machines to be "situation-generated" and help the process rather than impede it.

Sociologists say the act of people talking to each other in offices is by far the most important achievement an office environment must generate. The grouping of people in ways that allow conversational exchange is now a major challenge for designers, managers and furniture manufacturers. The office of the past had rows of desks with a supervisor sitting at the front, much like a schoolroom. The concept was, if everyone's head was down, they must be working and productive.

### Attacking Sedentary Problems

The office today reflects more of a results-oriented process that fosters individuality, communication and group thinking on an as-needed basis. The most serious health problem in an office is its sedentary nature. We have no choice but to conduct most of our activity in a sitting position. As a result, medical studies and office surveys show a steady decline in the vitality, energy and general body tone of office workers.



Furniture manufacturers have been promoting ergonomic seating as one solution to this very serious problem. Other solutions can range from stand-up work stations to regularly scheduled exercise breaks. Another major change in the office of today is the need for privacy. Not privacy in the sense of a locked office, but privacy from visual distractions and the noise of surrounding workers and machines.

The creation of panel office systems and other high space dividers came into play in the late 60s and now represent about 50 percent of all office furniture sold. Sophistication of those office systems ranges from simple space division with virtually no acoustic value, to highly rated acoustical partitions that contain raceways for the vast array of wiring that drives the needed computers, along with a total furniture vocabulary of work surfaces, storage areas, task lighting and movable tools to make the worker more productive.

#### Change Dominates the Office

Because change is the dominant reality in an office, more and more offices are being built like warehouses so there are no physical impediments to that change and the environment can be what is known as "forgiving." The office of today has to be allowed to change with the requirements of the business rather than the business having to work around the structural configuration.

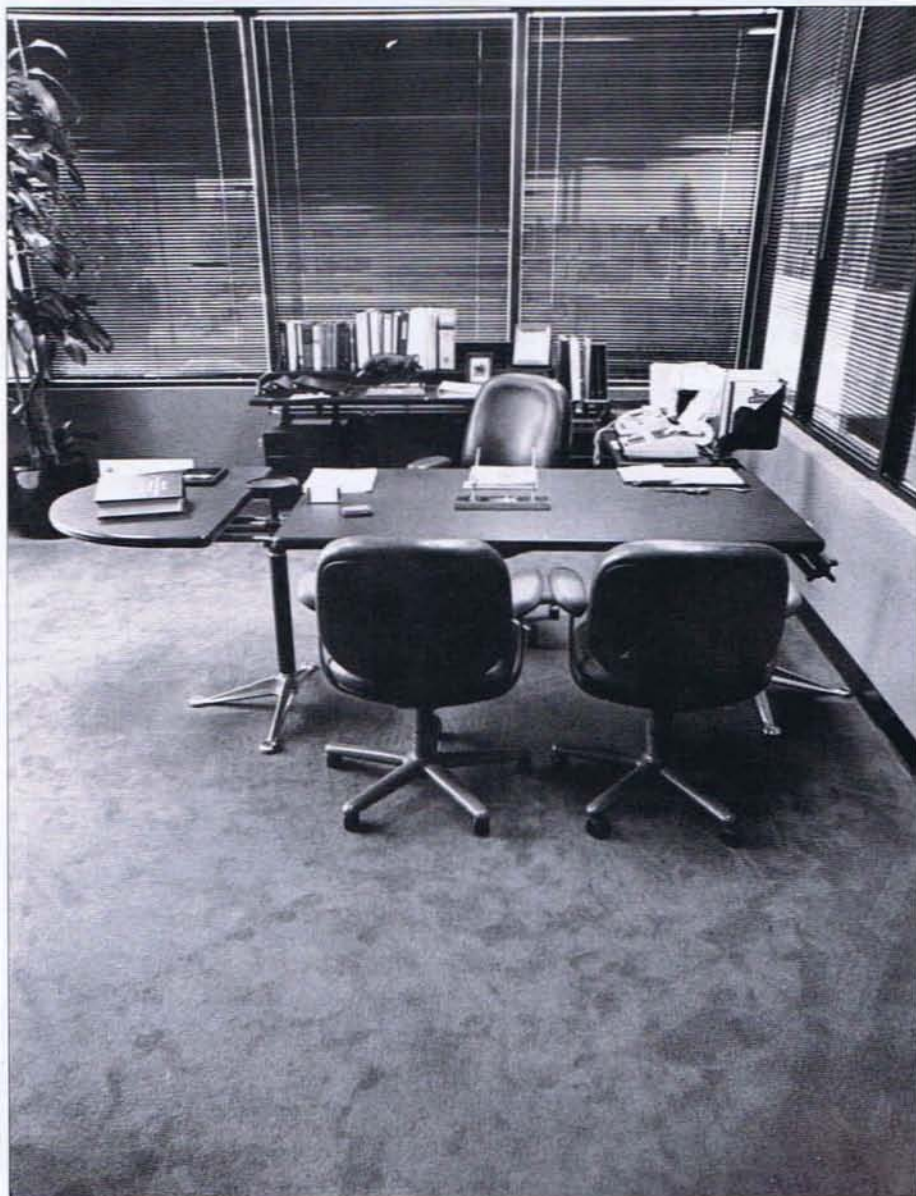
These changes have to be done without imposing significant costs or delays to the user and the organization. Change in the office has to come quickly and as inexpensively as possible. Most of that flexibility has to be planned up front, which generally necessitates a larger and more sophisticated investment that generally has a 100 percent return by the end of the second cycle of change.

With the seemingly unrelenting spiral of the cost of office space, companies have very little choice but to get maximum use out of the total space which now includes the vertical portion as well. There are still major needs in an office for full height walls that have doors that can lock. Those walls should not be permanently locked into place nor should they be free from use for elements such as vertical storage, chalkboards, tackboards and other means of work and communication.

#### The Office is an Arena

For a lot of executives, their office is an arena — an arena that surrounds them with the tools they need to work and to communicate through multi-person conferences. The management office is no longer the palace, even though its aesthetic value does identify status. The office has to work.

The bottom line for office people at all



*The trim, high-tech lines of this office unit, manufactured by the Burdick Group, demonstrate an efficient, streamlined use of space.*

levels is productivity and any managers who ignore the impact that the proper furniture and machinery have on that productivity will be paying back those dollars they chose not to spend on the front end. The choice to spend less ultimately ends up costing much more in the long run.

Well designed offices are harder to achieve in the age of technology. Technology is leading us around by the nose and the office is becoming a high-tech ghetto. The challenge of keeping the future office human in scale is one that every manager and designer has to face.

The office of the future will probably have 4,000 choices of components, colors, and sizes as well as heating and air conditioning that can

be controlled by the individual worker. Because there will be more workers than ever in the office of the future, the office environment will be the object of more attention than in the past or at present.

From management's viewpoint, more workers using more expensive office furniture in space that costs more every year add up to a major investment that must be productive. The furniture portion of the office products industry is almost seven billion dollars per year. It is expected to double by the end of the century.

Today's — and tomorrow's — office, will require extensive planning and programming — working with designers and architects, interviewing, questioning and observing the

# DO YOU KNOW ...

*someone who is particularly deserving of recognition for outstanding achievement in his/her field of endeavor during 1988?*

If you know such a person, we are currently considering nominees for our 1988 Annual Awards Issue to be published in January, 1989.

We are searching for individuals who merit recognition for their contributions to Nevada's business community and for excellence in pursuit of their goals.

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Nominations must be received no later than November 15, 1988.

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## OFFICE ENVIRONMENTS

way that office workers do their business. This needs to be done to collect information that will be computerized and turned into data on square footage requirements, inter-relationships, paper flow and communication, and the "what if" scenarios of growth.

### The Office Revolution

It all comes down to emphasizing the need for flexibility. You can never guess what's going to happen next, except that you know you must be flexible and deal with tomorrow's changes with the tools you bought today. There are some designers who are saying the physical problems of the work place are the easiest ones to solve, it's the social and psychological elements that are much tougher.

What does this all add up to? The office of the future will be a major challenge for everyone involved. Organizations who think they can conduct business as usual in the surroundings in which the business grew up, will probably not be able to grow and adapt to the changes that their business, competitors, customers, and workers demand. The industrial revolution has evolved to the office revolution. It remains to be seen which companies and their office workers will benefit from this revolution or simply be left behind. ♦



**Ronald Weddell**

*Ron Weddell is director of marketing and sales for Goodmans Furniture and Office Systems in Nevada. He has 22 years' experience in architecture, design and furnishings. An architectural graduate from the University of Texas at Austin, Weddell is a member of the American Institute of Architects and state and local chapters.*

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MICHAEL E. MEAGHER

## “Just the FAX Ma’am.”

by David Hofstede

In 1842, 19 years before the Civil War, a new machine was developed to send photographs across the ocean for publication in overseas newspapers. Back then, it was not referred to as a facsimile transceiver, though that is exactly the function it performed.

The facsimile, or fax machine, has undergone quite a few changes since the last century, though it wasn't until the last 20 years that most businesses discovered the benefits of sending documents electronically from one place to another. In 1967, the machines were given access to the public telephone network,

but they were still over a decade away from widespread acceptance.

“When Xerox first introduced their machines, they required four to six minutes to fax each page (at expensive long distance rates), they could only handle one page at a time, they smelled, they cost \$9,000 and they were difficult to operate, so people got fed up with them,” said Lorren Stiles, sales manager at Skipco, Inc.

Xerox lost all its patent rights on the machines and Japanese manufacturers introduced a new fax machine, one that weighed 20 pounds and sat on a desk, as opposed to the old

300 pound units. The transmission speed dropped to less than 30 seconds and the price plummeted to a mere \$1,000 for a basic machine, \$4,000 for one with the works.

All of a sudden, this pre-Civil War invention has become, along with the computer, “the best thing that’s ever happened to an office,” according to Stiles. The figures for projected sales in the U.S. have been increased four times this year, and now stand at one million. At Skipco they’ve been selling about 40 units per month — and that number is climbing. They expect their sales figures to double next year.

At Shook Office Systems, President Jon Shook remembers when the market began heating up, about two years ago. "It was obvious they were going to become very popular, and they are the means of business communication right now." Shook's sales of fax have tripled from last year.

At Kinko's Copies in Las Vegas, the fax machine installed in November of 1987 is used between 20-25 times a day according to manager Shane Parker, "and it paid for itself the first week we had it." Ninety percent of the 430 Kinko's stores nationwide now have fax.

The speed with which these machines have become a dominant force in office technology is indeed remarkable, but hardly surprising. By their very purpose it would follow that any notable increase in their popularity would inevitably produce a snowball effect. After all it takes two to fax. "When the first telephone was invented, you couldn't talk to anyone else. Then the more people that got them, the more people that wanted them," said Skipco vice-president Gary Harouff. Fax machine have trod the same path — "There are so many of them out there, it is now essential to have one."

Facsimile transceivers are an idea whose time has finally come, so it may also be time to step back from the clamor and separate the fax from the fiction. What sort of companies should investigate fax, and, which of the myriad systems available are best suited to an individual company's needs?

The first question is easy for Jon Shook. "I can't imagine any business not needing one. If you break it down to the cost-per-day to operate a transceiver on a two-year lease, it would cost about two dollars a day. So of a business uses overnight mail, which is about ten dollars a letter at least once a week, you've justified the cost."

Also, "if there is a need to relate information long-distance over the telephone, and the phone bill exceeds \$50 a month, they should be using a fax machine," adds Skipco's Harouff. "If you have to read ten pages to someone over the telephone, they will probably be able to write down only 60 percent of it, and the call will take 30-45 minutes. It can be sent on fax for 11 seconds a page, and they'll get the exact information." It can also speed up overseas transactions, where "even overnight mail takes three days."

At the National Office Machines Dealer Association convention, held in Las Vegas in July, there were more than 50 new facsimile units on display. Two years ago only 12 models were available.

"Fax is a hot product and everybody is jumping on the bandwagon," says Jon Shook, "it's like the computer business used to be — after awhile there was a shakeout, and some were left and some were gone.

"The reputation of the local dealer is of

*"I can't imagine any business not needing a fax. If you break it down to the cost-per-day to operate a transceiver on a two-year lease, it's about two dollars a day. So if a business uses overnight mail, which is about ten dollars a letter at least once a week, you've justified the cost."*

utmost importance. Once you become dependent on fax machine and get used to communicating in 20 seconds, it's tough to wait two or three days for someone to repair it. Make sure the dealer has on-site service."

"They should know how to hook it up, program it, operate it and know which phone line to use," adds Lorren Stiles, "then (a buyer should) find a machine with a long warranty and a dealer with a track record, because there are a lot of junk machines out there that just don't work."

Shook believes the best defense against getting burned is to stick with a major manufacturer. "Some companies do not manufacture their own units, and sometimes you can get into a bad situation with problems like parts availability. You will see some difference in speed and operator friendliness, but generally among the majors the machines are very similar in the quality of the transmissions."

However, there are different levels of machines, with different features. Those who will need to fax photographs will require a machine with gray scale, which breaks down the photo and reproduces it on the other end. "But it will slow down your transmission, will cost more to send a document long distance and add \$500 to the cost of your equipment, so consider if you really need it," warns Shook.

Some transceivers have automated message distribution and memory, which electronically stores dozens of phone numbers and hundreds of messages that can then be trans-

mitted to a number of locations. Confidential messages can be kept in private "mail boxes." There are hook-ups that are compatible with computers and optical readers, that can send material directly into a computer base. "Fax machines used to be difficult to operate," recalls Lorren Stiles, "but now some models have an LED screen that prompts the user step-by-step through the process. Now all they have to do is put in the paper and dial a phone number." Stiles also recommends buying a model with a document feeder — "if I had to send 50 pages to New York every Thursday, I wouldn't want a machine that handles one sheet at a time."

A special thermal paper is used in 99 percent of the machines on the market. There has been talk about plain-paper machines, but Shook predicts they will remain a limited commodity for the next few years. "Most people feel their costs will be reduced (with plain paper), but it's not true. On a fax with thermal paper everything that affects the copy quality is built into the paper (as opposed to plain paper, where intermediate rolls and toner are often necessary), which makes it a much simpler machine."

Skipco's Harouff estimates the price of thermal paper at three to four cents a sheet to receive, and plain paper at 12-15 cents. "The new thermal paper is chemically treated, but many people couldn't tell the difference. It isn't like the old copier paper that you couldn't write on. (Thermal) does have a limited shelf life of seven years, but it is still more economical to simply copy the thermal transmission on the copy machine for storage."

Delayed dialing, which sends messages at night after the long distance rates go down, would be a sound investment for a business that frequently sends material out-of-state, according to Jon Shook, who would also recommend a paper cutter "which is not necessary if you are standing right there, but if you come in the next morning and someone faxed in 20 documents, you'll have a 20 foot long sheet of paper on the floor." Other units offer automatic redial, message logs, document size reduction and automatic adjustment in transmission speed to ensure a quality reproduction.

Patty Stratton, operations assistants for the interstate chain of Jerry's Restaurants, still isn't sure why the company first decided to investigate fax, but now that it's in, she can't imagine life without it. "We began using it the minute it arrived," she recalls, "when you have 42 restaurants with a payroll every two weeks, you're looking at a half-day just for calling. This way they fax the payroll and it is here almost instantly, and there is no problem with figures because they are all in black and white."

Stratton also uses the machine for bank deposit slips, accounts receivable, invoices and

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F A C S I M I L E



MICHAEL E. MEAGHER

*The day is fast approaching when wall-mounted units that combines telephone, fax and copier capabilities will be standard equipment in American homes.*

Workmans' Compensation reports. "When there is a liability accident it is extremely important that it is called in immediately. We now have a form in all our restaurants where all the information can be filled in, and then they fax it to me. It can be here within 15 minutes of the accident. We have some restaurants in New Mexico and Oklahoma, where mail can take up to five days — the fax machine has really helped us."

Stratton is certain the system has saved the company money. "If for no other reason than when you're faxing things you don't have two people sitting on the phone talking about the weather. It has cut down on our telephone time considerably." The machines have since become such an integral part of the company's operation, Stratton remembers setting up a fax line for a new restaurant within seven days of the acquisition — that's how important we thought it was."

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For Glen Brower, owner of G.B. Electric, the fax machine has paid off in convenience. "When I'm bidding on a job, I can fax a list of materials that I need to three different suppliers, and while that's happening I can do something else or even leave. And when they're ready I don't have to be here to receive the price quote. If I need some technical information on a piece of apparatus or component I can tell the people to fax over the technical sheet they have in their catalog. It saves me time and a trip across town."

The propinquous and economic benefits of fax, combined with its dramatically improved service record (less than one call in 18 months, according to Lorren Stiles) could spell trouble for other modes of business communication. "Fax stopped Telex dead in its tracks, and it will put a dent in Federal Express and Western Union," said Stiles. "another benefit is that a facsimile is a legal document now (if one is able to produce the original copy with the original signature), so a business transaction can be completed in five minutes, as opposed to 72 hours using the mail."

Five minutes is fast, but the fax machines of the not-too-distant future will cut transmission time even further. The old Group One and Two machines which took minutes to fax a page are already obsolete. "They're not cost-effective anymore so they are not even manufactured now," said Stiles. Group Three machines, which average 11 seconds a page are the most popular now, and there are now Group Four machines that operate off digital lines.

"Right now, Group Four is only available to companies who are able to put in their own coaxial cable lines," said Stiles, "but by 1994 the digital lines will be up and you'll have transmissions in two seconds." Compatibility with non-digital machines could be a problem, but Jon Shook does not expect the transceivers available now to be obsolete in the near future.

Shook predicts the next step in fax development will be "a plain-paper copier with a fax built in — the two machines relate to each other, and most offices already have them close together." Portable fax machines are now a reality, as are cellular machines for the car. Lorren Stiles envisions a day when wall-mounted units that combines telephone, fax and copier capabilities will be standard equipment in American homes, as they are fast becoming in Japan. "Instead of leaving a message on someone's answering machine, you'll just send the message."

Statistics report that by 1991, fax machines will be in 80 percent of the offices, factories and stores in the United States. And if that isn't convincing enough evidence of their acceptance, in 1986 the Washington-Moscow hotline was updated with the installation of a facsimile transceiver. You can't get a more substantial endorsement than that.

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someone who is likely to move, shake and make positive waves in Nevada's business community in 1989?

If you do, submit their name(s) to us in the format outlined below for consideration in our

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issue appearing in January, 1989.

- Please compose a 50 to 75-word synopsis on the contributions that this special individual has made to our community and why you think they rate "watching" in 1989. Upbeat quotes and anecdotes on his/her expectations for the coming year provide interesting reading for our audience.
- Please include a quality black-and-white, head-and-shoulders portrait (minimum 3 x 5, maximum 8 x 10).
- Send your submission(s) to Associated Magazines Publisher, 3800 Howard Hughes Pkwy, Suite 120, Las Vegas, NV 89109. Include your address and telephone number plus a contact phone number of your "person to watch." Photos will be returned only if a self-addressed, stamped envelope is provided.
- We must receive your submission(s) no later than November 15, 1988.

## Richard H. Bryan

*A Record of  
Public Service*

*A Commitment to Nevadans*

- Deputy District Attorney
- State Assemblyman
- State Senator
- Attorney General
- Governor



## Mead Distribution Division Reorganizes Nationwide Under Zellerbach Banner

*"It is significant that our new name consists of a single word — Zellerbach — that is what our consolidation has created — a single company with a single name, national in scope."*

Mead Corporation's \$1.5 billion distribution operation took on a new name recently and announced completion of a sweeping reorganization which consolidates all the division's operating units into a tightly knit, "single company, national in scope."

At a recent news conference, John Franz, president of Mead's distribution operations, told reporters and editors of the "new company" and cut a ribbon that unfurled the division's new name and corporate signature.

The division, which is now known as "Zellerbach, A Mead Company," takes its name from that of the division's largest unit, Zellerbach Paper Company, acquired in 1986. The new name replaces several others which the division's local units had been using. The largest of these, prior to the acquisition of Zellerbach in 1986, was Mead Merchants, which operated 35 distribution facilities, principally in the Midwest and Southeast.

"The new name helps us emphasize how the division has changed from a primarily regional distributor to one that is fully unified and national in scope," Franz stated.

"We also want to build on the sound reputation the Zellerbach organization has established in the industry during more than a century of service," he added.

Zellerbach is a truly time-honored name in the distribution business, Franz said. "Its tradition of service and excellence extends far beyond the western United States, where it first had its roots."

Both Zellerbach and the Mead Corporation were founded over a century ago. Zellerbach began as a distribution company while Mead began as a paper manufacturer and broadened into distribution beginning in the 1950s.

### Zellerbach Recent Purchase

The San Francisco-based Zellerbach Paper Company was purchased by Mead in 1986 for \$243 million. At the time, Zellerbach operated in 13 western states, distributing printing paper, packaging materials and equipment, plus a myriad of miscellaneous products used by grocers, janitorial services, hospitals, hotels and a wide range of other businesses.

The addition of Zellerbach, which also owned the Southern Paper Company in Lexington, Kentucky, and the Virginia Paper Company in Richmond, Virginia, expanded Mead's distribution business into a coast-to-coast network with more than 70 distribution outlets, over 4,000 employees and annual sales of nearly one and a half billion dollars.

"It is significant that our new name consists of a single word — Zellerbach," Franz declared.

"Significant because that is what our consolidation has created — a single company with a single name, national in scope, and armed with over a century of experience that enables us to serve both our suppliers and customers more efficiently and effectively."

### Three-Pronged Focus

Despite the historic connection of the Mead and Zellerbach names with paper, Franz noted that both packaging and the multi-faceted supplies business also represent major growth areas. The company's new organization reflects this three-pronged focus. A different vice president now heads each of these three principal business cores — paper, packaging and supplies.

The decision to focus on these three businesses came after an intensive, nearly year-long study by well-known management consultants, The MAC Group. The study was also instrumental in drafting the consolidated corporate structure of the new Zellerbach and the managerial philosophy which provides all regional and area managers with a high degree of autonomy in responding to the needs of the marketplace.

### Right-Away Responses

"We realize that we compete in a business where the critical decisions must be made locally," Franz explained.

"That's why it is our policy to support and encourage local initiative and still provide central coordination when and where it's advantageous or necessary. Our main objective is to combine the responsiveness of a local company with the resources of a national organization.

"We've got a great tradition behind us and a great future ahead of us," Franz concluded. "We definitely feel that we have made all of the right connections to meet the great challenges and the great opportunities which lie ahead."





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## Tandem's Data Communications Network Blends Flexibility & Reliability

*Providing reliability and fault tolerance in its systems has propelled Tandem from a \$7.7 million company to revenues of \$1.03 billion.*

As a leading vendor of on-line transaction processing computers and networking hardware and software, Tandem's internal business operations are a showplace for its products.

Tandem Computers Incorporated has one of the largest corporate data communications networks in the world, serving company locations in 21 countries. Over 1,000 Tandem NonStop processors are configured on the system, bringing more than 2 MIPs per processor of computing power to the network.

Connecting the NonStop systems is the company's EXPAND data communications software. EXPAND architecture, an extension of the company's proprietary operating system, is similar to packet-switching protocol and can run unmodified over X.25 networks. It executes Tandem's concept of fault tolerance to networks of geographically distributed computer systems.

The Tandem corporate network has 195 active nodes with access to 150 additional sub-network nodes spanning locations in 21 countries. ITT Corporation's long distance telephone unit, U.S. Transmission Systems, Inc., (USTS) provides microwave links on the Eastern seaboard.

"Because the network is so key to the company's operations we rely on a variety of transmission capabilities and a number of vendors to ensure that we have the highest availability possible," said Dave Foley, head of Tandem's network operations.

All in all, equipment and communications lines from 28 different vendors are blended together with Tandem hardware and software to make up the completed network.

### An Evolving Network

"This is an evolving network," Foley said. "We have ten backbone nodes including two in Cupertino and one in Sunnyvale, California, Austin, Texas, Chicago, Illinois and Washington, D.C., plus London, Frankfurt, Singapore

and Melbourne, Australia. The nodes consist of Tandem systems with leased lines and satellite links and average over 1.1 billion packets (100 billion bytes) of traffic a day.

Foley said availability of each network node as it is configured today is routinely 99 percent. This means that the network's 26 class I nodes — the machines that run critical functions such as accounting, manufacturing and customer support applications — are each 99 percent accessible seven days-a-week, 24 hours-a-day, including scheduled downtime.

Providing this kind of reliability and fault tolerance in its systems has propelled Tandem from a \$7.7 million company in 1977 to revenues of \$1.03 billion in the fiscal year ending September 30, 1987. Key to the company's growth is the surge of interest in on-line transaction processing systems (OLTP).

For example, in 1986, Tandem landed major contracts for its NonStop systems from large firms such as Texaco Oil AT in Sweden, the GTE Corporation and the U.S. Air Force Logistics Command. Major new products announced by the company included the NonStop VLX system for mainframe applications and the NonStop EXT10 for distributed applications.

### Modular Systems

"Although the company is best known for its fault-tolerant systems, in reality as important to our users are the modularity and expandability of our systems and our communications capabilities," Foley explained.

He said that the design of the systems architecture permits the addition of extra processor modules without having to rewrite software. Using Tandem's EXPAND software, systems can grow into a geographically distributed network of up to 4,080 processors without any modification to applications software.

Foley said that he has reconfigured most of the network's architecture from its earlier star topology into a ring in order to increase reliability. In the ring system, if a single link goes down, traffic can be quickly rerouted around the affected area. Users might notice a momentary delay, but there are no major interruptions or broken sessions.

Of the over 100 applications running on the network, the most important is electronic mail. About 140,000 messages are originated and 500,000 delivered each week across the global network.

"Because we have facilities all over the world, the electronic mail network solves the problem of time-zone differences. Even if a message is sent to you from several continents away in the middle of the night, your time, the message will be waiting for you when you come to work the next morning," Foley said.

E-mail messages come in three categories: the "one-to-one" message directly from sender to receiver; a "broadcast message" sent to everyone on the system or the network; and an employee bulletin board, which contains personals, "junk mail" comments and a thriving classified ad service. Each node on the network receives between 400 and 500 first-class messages a day which is typical of a lot of people," Foley said. "I know of several employees who log on to E-mail in the morning and spend the entire day without logging off. Electronic mail has become a primary means of communications for the entire company."

The second biggest applications Tandem's Product Reporting System (PRS) which forms the core of the company's support structure for

its customers. Problems entered into the system are forwarded to a regional specialist; any problem that the region cannot handle are passed on to a corporate troubleshooting team. An extensive database of technical information has been built up primarily from electronic mail exchanges. "Just this one application would justify the network," Foley said.

The network also handles a number of more specialized, but no less important applications. For example, the company's manufacturing groups maintain their records in a distributed database. Sales orders and their confirmations run back and forth on the net, supported by a variety of powerful software packages for order entry, invoicing, credit and collections and budgeting.

In addition, a "yellow pages" database, accessible by anyone in the company, contains information on employee telephone numbers, office locations, mail drops, etc. Because of Tandem's rapid growth, this database is updated weekly.

**Reliability is Critical**

"As more and more of our business is connected over the network, reliability is critical," Foley said. "At any one time, we have up to 120 different applications operating on the

network. The company literally runs on this system."

"For example," he said, pointing to a terminal screen in the network control room, "right now it's evening in Germany, but you can see they are still running 2500 packets per minute. During the working hours, any one system on the network can be running as many as 22,000 packets per minute."

Because of the use of Tandem systems, the EXPAND network software and high quality lease lines and satellites, the entire network is run with only six people. "We're staffed and budgeted at about ten percent of what most Fortune 500 companies need to operate their networks," Foley said. "Most big corporations have 14 to 17 different networks running simultaneously, with huge control centers, enormous patching bays and dozens of people. We have one small room with 35 lines terminating here.

"The approach we've taken is different — we use the network to troubleshoot itself based on Tandem fault-tolerant technology," he continued. "In addition, our network vendors such as ITT also share a lot of the credit for helping us to build and maintain a flexible, nearly trouble-free, cost-effective system.

"For example, I'm very impressed with the service we have received from USTS," Foley added. "The representatives are well-versed in the technology and they are extremely helpful. One of our main criteria for choosing a vendor is the kind of support we get and we've found that the ITT reps will go out of their way to keep us up and running.

"When we do have a problem, ITT assigns us a single point of contact to work with us and keep us informed," he said. "Because the system has redundancy built into it, we are able to keep our users online by working around the trouble spot until it's fixed."

Foley said Tandem is looking at a very busy 1988. Because the company continues to grow rapidly, they are planning to occupy several new buildings in the San Francisco Bay area, move scores of employees between facilities and wire new buildings for both voice and data service.

"The network has become an essential resource to the company," Foley said. "Because data communications is so important to the way the company does business, developing and maintaining a highly reliable, international channel of communications is one of Tandem's leading concerns." ◆

# OUR STRENGTH IS IN OUR PEOPLE.

Triathlete Eva Vasquez bikes over 9,180 miles, runs over 2,000 miles and swims approximately 650 miles a year in preparation for the Ironman World Championship.

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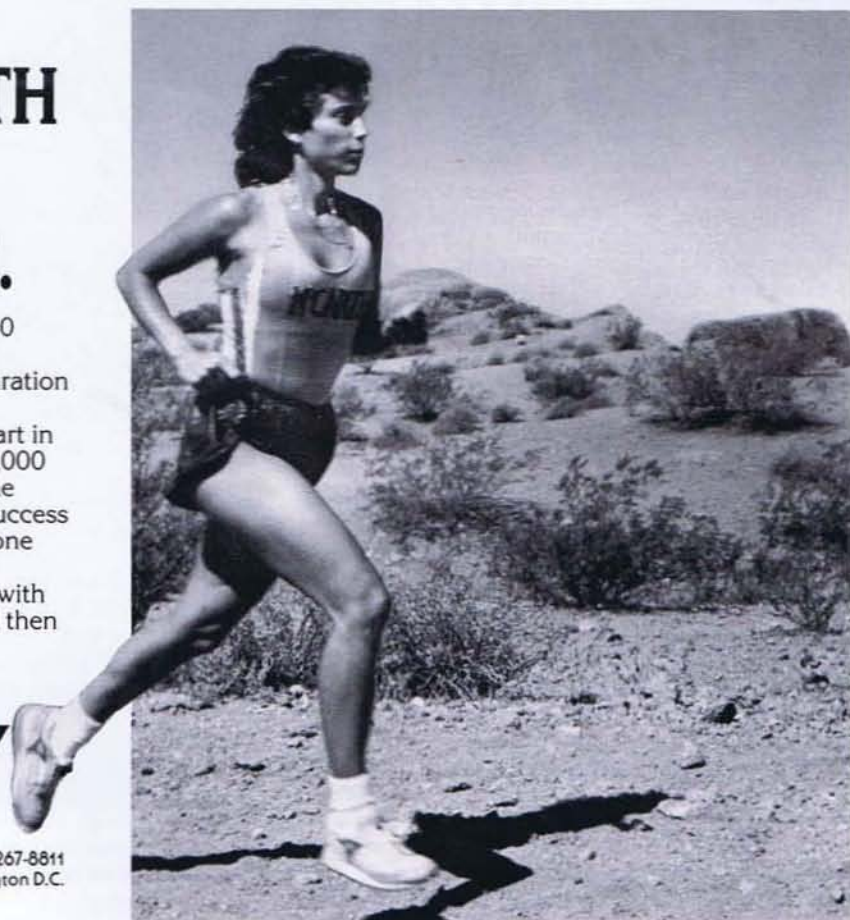
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## California Grocers Association Prepares for Convention in Reno

One of the oldest state grocery associations in the nation will celebrate its 90th birthday with its annual convention and trade show October 7-10 at Bally's Reno and the Reno Convention Center.

Founded in 1898, the California Grocers Association has served the California grocery industry for nine decades, providing government relations in Sacramento, educational programs and the largest state grocery convention and trade show in the nation.

The California Grocers Association (CGA) represents all facets of the food distribution system — including grocers, suppliers, wholesalers and brokers. Its membership ranges from small "mom-and-pop" stores to the large supermarket chains.

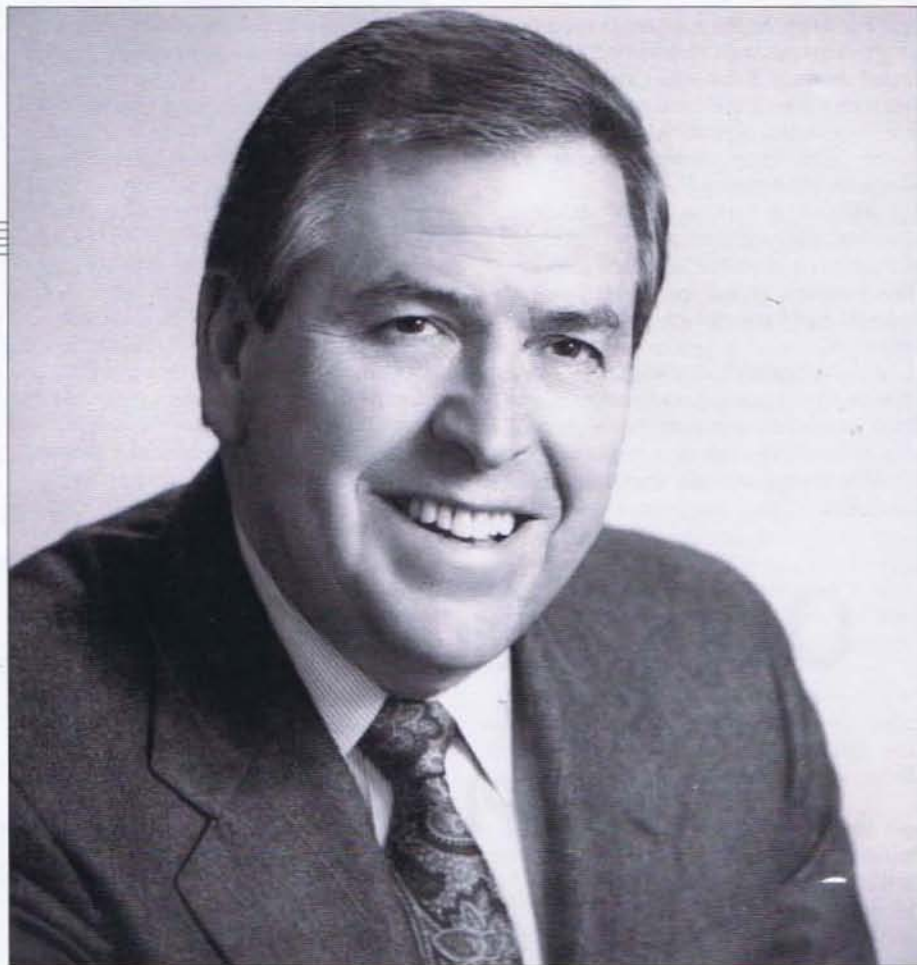
To meet the unique challenges facing small-store and convenience-store operators, CGA has also formed the California Convenience and Small Store Association. This group allows CGA to focus on issues unique to this portion of California's food industry.

This year's convention theme, "Grocers Holiday", appropriately fits the festive mood of this year's show — a convention now considered one of the most important grocery trade shows in the country.

Convention attendees will be on the go during the entire convention as CGA has scheduled a full slate of activities from sun-up to well into the night. Daily morning business sessions will feature nationally renowned-speakers from politics, corporate America and the food industry.

Scheduled speakers include U.S. Supreme Court nominee Judge Robert Bork, former Budget Director David Stockman, former U.S. Ambassador John Gavin, futurist Dr. Marvin Cetron and grocery-store entrepreneur Stew Leonard, Jr.

The convention trade show will be the largest in CGA history with more than 400 companies filling 850 booths in the spacious Reno



California Grocers Association President Don Beaver

SIRLIN

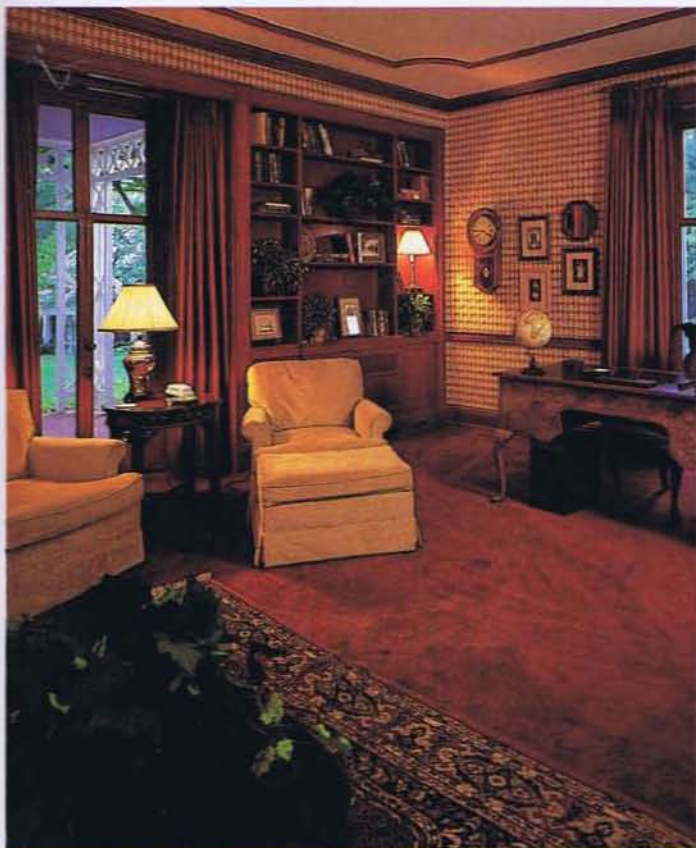
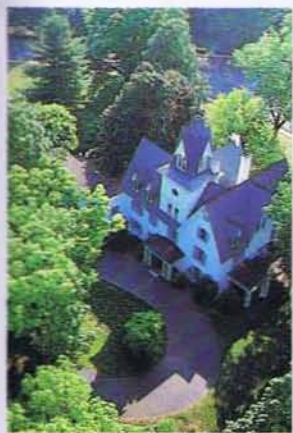
Convention Center. New this year will be the CGA New Technology Pavillion. The latest in grocery industry technology will be on display, including new scanning equipment and electronic shelf tags. Grocers will get a first-hand look at the store of the future.

"This is one of the premier grocery conventions in the nation," said CGA President Don Beaver. "It reflects CGA's long-term commitment to the California grocery industry, which also includes many parts of Nevada."

CGA acts as the grocers' liason with lawmakers in Sacramento. Through its government-relations office, CGA monitors key legislation and offers testimony on behalf of the industry.

CGA also conducts an annual Legislative Conference, allowing food-industry representatives the opportunity to meet one-on-one with their state legislators. This year, the conference went national—to Washington, D.C., where attendees met with their congressmen and were briefed in national affairs as they relate to the food industry.

Currently, the California Grocers Association is working with grocers and suppliers statewide to create an emergency preparedness program in the event of a natural disaster. CGA hopes to create a network between grocers, suppliers and wholesalers to ensure the continued flow of goods to retailers in the event of a disaster.



## HISTORICAL OAK HILL MANSION

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

In 1985, Las Vegas businessman Lyle Brennan purchased

the mansion for a temporary second home. He subsequently put 25 craftsmen to work for more than a year, and they refurbished the home to a glory quite beyond its former elegance.

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

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Las Vegas, Nevada 89109



TONY SCODWELL

Pictured, at right, Stephanie Stephens, in-store sales person, and David Harris, director of sales, from the Cellular One Retail Store.

## Cellular One Opens New Retail Store

With the opening of its new retail store, Cellular One, the mobile telephone company, has become the only full-service cellular phone outlet in Southern Nevada. Cellular One, one of two providers of cellular communications service in Southern Nevada, recently completed the "switch" to its own cellular transmission equipment and is providing direct state-of-the-art service to its subscribers.

"In addition to installing our switching system and cell sites to provide direct, high-quality service to our Southern Nevada subscribers, we have opened our own "sell" site, providing full sales and service," said Dennis Nixon, Cellular One's general manager.

The new store, located in the Palms Business Center at 3010 South Rancho, is right off I-15 next to the Scandia Amusement Center. The store will sell, install and service cellular phones. It's equipped with an installation bay and will be able to install phones at the time of purchase or by appointment.

"We are now able to offer everything our customers need at one location," said David Harris, director of sales for the new Cellular One Retail Store. "From the installation to service to warranty work, we do it all here."

By providing all the services at one location, Cellular One is able to monitor the quality of the product, service and installation. Several cellular companies sacrifice quality by subcontracting services out," said Harris.

The store provides a wide variety of phones. "We offer the city's widest selection of mobile phones, including Motorola, Mitsubishi, Uniden, NEC, Mobira, Novatel and Comtech. We have the perfect phone for everyone, from the top-of-the-line, feature-rich Mitsubishi to the high-quality economical Uniden," said Harris. Customers will be able to test demonstration models in the store, assisted by sales agents.

Harris currently oversees two senior account executives, six outside sales people, one in-store sales person and two installers. The sales team will handle direct sales to busi-

nesses and individuals. As sales increase, additional staff will be added.

The retail store is also the only provider of a new computer service called "bridge and span", where Cellular One subscribers, using a lap-top computer may have total computer capabilities in their car.

The bridge and span program is new to Las Vegas, but quickly being discovered by realtors, stockbrokers and others who need to input data to their computer on a routine basis. Harris says the bridge and span is already well received and foresees a substantial number of subscribers.

McCaw Cellular Communications, parent company of Cellular One, is the largest cellular service provider in the country with operations in more than 120 markets. It has been ranked as number 235 in *Business Week's* Top 1000 listing of America's most valuable companies with a market value of \$2.4 billion. The *Wall Street Journal* listed McCaw as one of the top stock picks in 1988.

# A LOT OF THE ABUSES CHILDREN ENDURE ARE EVEN WORSE THAN BROKEN BONES.

Broken bones are what most people think of when they think of child abuse. Unfortunately, battered children are only part of the problem. About one million children in America are abused every year.

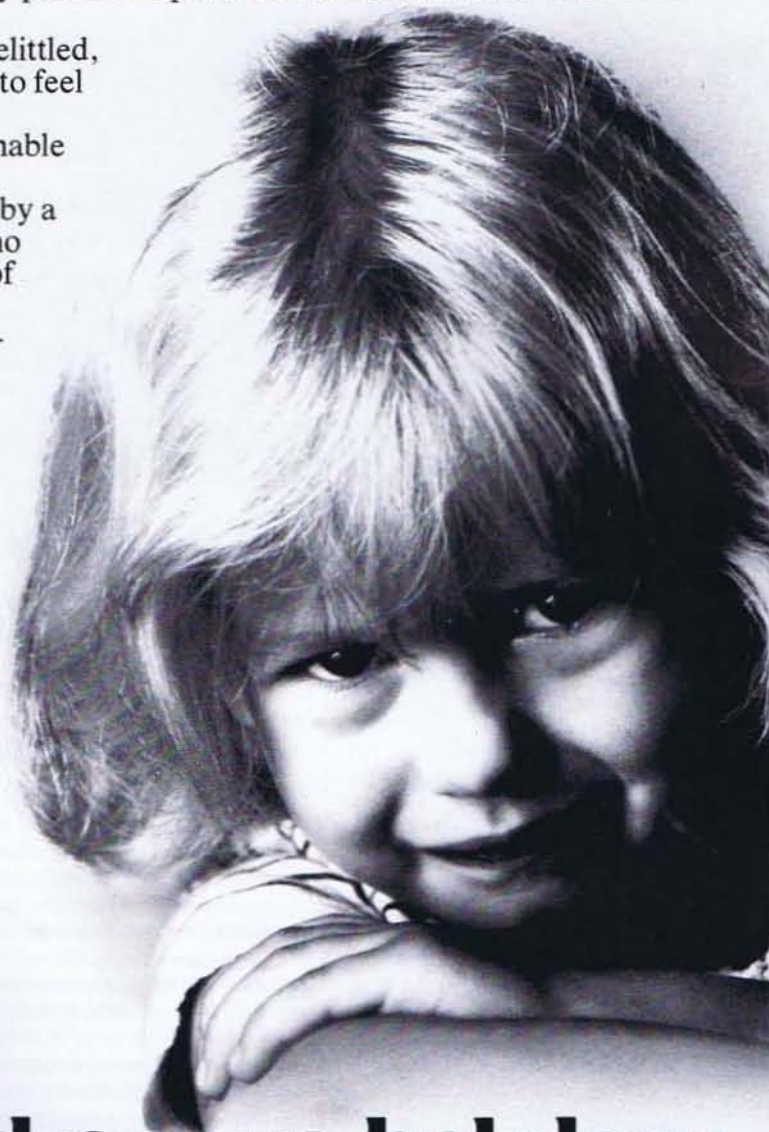
Some are emotionally abused. Belittled, constantly teased or in some way made to feel inferior because they are not capable of performing up to their parents' unreasonable expectations.

Others are sexually abused. Not by a pervert off the street, but by an adult who is usually a trusted friend or a member of the child's family.

Still others suffer from neglect — the lack of food, clothing, shelter or medication when necessary.

All of these abuses can and do kill. About five children die from child abuse every day. Those who somehow manage to survive are scarred for life. They often end up in mental institutions and jails. Abused children may grow up to abuse their own children.

The situation is desperate but not hopeless. Over 80% can be helped. We know what to do but we can't do it alone. Please write and find out how you can help prevent child abuse.



## Abused children are helpless. Unless you help.

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National Committee for Prevention of Child Abuse,  
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George Knoblock (seated front) inflates the Coldwell Banker hot air balloon.

## A Bold Move by Coldwell Banker: Investing Advertising Dollars in a Hot Air Balloon

by Vicki M. Bertolino

The Las Vegas affiliate of Coldwell Banker made a bold move when they used their advertising budget to pay for a hot air balloon, but George Knoblock knew that this graceful giant bearing the Coldwell Banker indicia would be a better investment of their advertising dollars than spending the same amount of money on newspaper advertising.

Knoblock is director of the Corporate Services Division of Coldwell Banker residential real estate services located in Southern Nevada. As an experienced hot air balloon pilot—he's been flying since 1981 and been a pilot since 1983—Knoblock was convinced that "a balloon would be a good investment for our advertising and promotional campaign dollars here locally. After all, Southern Nevada is home for the fifth largest hot air balloon race in the western United States: the North Las Vegas Fairshow and Nevada Balloon Championship Races," Knoblock observed.

It didn't take long for David Axelson to see the overall benefits of using a balloon instead of newspapers for advertising purposes when Knoblock first introduced the idea to him.

"Dave is a visionary. Though it was a pretty bold move on our part, a move we never sought approval for from our corporate headquarters, Dave decided to go for it," Knoblock explains.

But what makes one commercial hot air balloon a more cost-effective use of advertising monies than an ad in a newspaper which has the potential of reaching thousands of people with just one single issue?

"When you measure newspaper advertising costs per person against the per person costs of flying a balloon, even with the initial upfront expenses, the difference is remarkable!" prefaced Knoblock. "An ad in a newspaper costs us about five cents per exposure as opposed to only two cents per person-exposure for the balloon."

Knoblock went on to explain that not every-

body who picks up a newspaper sees that one particular ad their company places. "But when you put that giant balloon in the air for only a short two-hour ride, everybody in the area sees it and remembers it," he reports.

Newspapers were used as the comparison only because newspaper advertising is the main line of advertising done by locally-owned affiliates of Coldwell Banker. But the same comparisons would be true of the broadcast media as well. Corporate headquarters, though, takes care of all national broadcast and print advertising, leaving the local markets to local affiliates.

Coldwell Banker was founded in the wake of the great 1906 San Francisco earthquake. From their one, single office in San Francisco, this new real estate and insurance firm of Tucker, Lynch & Coldwell was determined to help rebuild their beloved city after that disaster. It's interesting to turn the pages of time back to a faded newspaper advertisement in



early 1907 when this small, but expanding, real estate company led by the industrious 23-year old Colbert Coldwell listed some two dozen properties for sale in San Francisco, ranging from "two pretty new flats in select neighborhoods" for \$6,000 each to a "new and modern four-story and basement office building" for \$185,000.

It wasn't until 1914 that Benjamin Arthur Banker joined the firm. Coldwell and Banker met in 1913 and the following year Banker, who came to California from Chicago as a young man to sell meat-slicing machines, went to work for Coldwell as a salesman. Soon, Banker became the firm's leading salesman; he was even present when the company opened its first Los Angeles office in 1922.

After buying out his founding partners Tucker and Lynch, it didn't take Coldwell long to realize that a partnership with his top salesman, Banker, would be "the most equitable solution for all" since, by this time with his expansion plans in operation and future plans on the horizon, Coldwell was facing huge overhead costs and expenses.

In 1940, the firm officially changed its name to Coldwell Banker and Company and in 1952, they opened their first office outside the state of California, in Phoenix, Arizona. When the company finally incorporated in 1963, the firm also opened their first offices in Northern Nevada.

The company's incorporation was "a way to insure continuity of the company and its growth," points out Knoblock. "Recognizing that the company was built on the quality of its people and the necessity to make sure the right people remained with the firm, this incorporation helped make it possible for stocks in the company to be made available to important new employees who weren't partners."

This also set the stage for Coldwell Banker to go public in 1968 when it began selling stock over-the-counter and paying the first dividends to Coldwell Banker stockholders.

By 1971, their stock was listed on the New York Stock Exchange and their sales and leases involved \$1.2 billion worth of property. It was during the 1970s that Coldwell Banker began expanding into Oregon, Colorado, Kansas, Georgia, Illinois, Washington, D.C. and even Canada. By the end of the 1970s, they had a nationwide "Find-a-Home Referral Service" and were operating coast-to-coast.

During the 1980s, Coldwell Banker began acquiring leading residential brokerage firms, leasing and commercial brokerage firms and nationwide luxury residential marketing organizations like Previews, Inc., The Spring Company and the real estate firm of Barton & Ludwig, Inc.

Sears, Roebuck and Company acquired Coldwell Banker in 1981 and the following year, Coldwell Banker became a part of the Sears Financial Network Centers' test market



*Hot air balloons being readied for launch at the Fairshow in North Las Vegas.*

in eight Sears stores throughout the United States. This proved so successful that by 1983 Sears began rolling out Financial Network Centers across the nation, thereby giving Coldwell Banker representation in 122 major Sears stores.

The year 1983 also saw expansion of Coldwell Banker into Southern Nevada.

Today, Coldwell Banker is America's largest full-service real estate company employing in excess of 46,000 men and women in more than 2,000 offices and 36,000 sales associates nationwide. Their estimated value of sales transactions exceeds \$30 billion making them America's largest owned residential real estate firm.

Las Vegas is the first and, to Knoblock's knowledge, the only Coldwell Banker affiliate nationwide to host its own hot air balloon. "It simply reads Coldwell Banker, so many of our other affiliates think they should capitalize on our idea by using our balloon," reports Knoblock.

"Affiliates from throughout the country want us to come to their city and fly our balloon for one of their promotions," beams this pilot.

"We'd like to accommodate all requests, but it is not economically feasible. We spent our own advertising dollars, our own opera-

tions budget, for this balloon. Sure, we've amortized our costs over several years, but there are still costs for fuel, repairs and travel. So we've decided to take the balloon only to those larger offices willing to pay our expenses — plus!"

The spectacular blue and white striped Coldwell Banker balloon has been seen in Utah, South Carolina and throughout Nevada.

"It's a unique, novel form of advertising and wherever we go, people follow us, cluster around us and take our picture for their own personal scrapbook or for use in calendars, magazines, or other feature articles. This balloon has given our Southern Nevada offices tremendous coverage nationwide in just the past few months we've been flying her," insists Knoblock.

One of his favorite forms of promotion involves taking the balloon to elementary schools. "We give the children buttons which make them official honorary flight team members and then we tie in our demonstration and talk with their teacher's discussion that day, whether it's on science or history."

Knoblock says he always touches base with the teacher first so they can coordinate their efforts. Most of the lessons revolve around either the history of flight or the scientific principles involving heat.

Then, they finally inflate this gossamer giant and gently float away. And all of this takes place before the start of the regular school day. "The children love it, and we feel we are helping in a small way with the education of our young."

Knoblock has been with Coldwell Banker's real estate division since he retired from the United States Air Force as a Senior Master Sergeant in 1980. In 1986, he was promoted to his present position as director of corporate services.

Both Knoblock and his wife, Aggie, are avid balloonists. In fact, he met Aggie at the

---

*"... Investing in this spectacular balloon was the best investment Coldwell Banker could have made with their local advertising and operational budgets."*

---

North Las Vegas Fairshow five years ago. She was in charge of a Phoenix balloon and Knoblock, who's been active with Fairshow since 1981, was a scorekeeper that year.

"We met on Friday night during the annual Calcutta (auction of the balloons for the upcoming races); we flew together the next day and she left on Sunday. Two weeks later, I followed her to Phoenix (after all, Coldwell Banker does have offices there, too) and we've been together ever since."

After renewing their relationship in Phoenix, Aggie Knoblock quit her job and moved to Las Vegas where she began working for Peter Thomas, president of Valley Bank of Nevada. At the time, she was a hot-air-balloon student pilot and Valley Bank had recently purchased a hot air balloon with their name and logo on it. No one within the bank knew anything about hot air ballooning, except Aggie Knoblock. She was put in charge of the Valley Bank balloon.

This gave these honeymooners ample time to be together and to participate in their favorite aeronautical sport. It also gave George Knoblock the flying time he needed to complete both his private and commercial licenses.

Today, Valley Bank and Coldwell Banker are the only two active commercial balloons



operating in Southern Nevada, and the public can see both of these wingless wonders at the Tenth Annual Fairshow and Nevada Balloon Championship Races held the weekend of October 28 on the grounds of the Clark County Community College in North Las Vegas.

Admission to Fairshow is free and the public is always welcome to come out and watch Knoblock and the other 100 pilots lift off at daybreak. Knoblock, though, will not be flying the Coldwell Banker balloon at this event; instead, he'll be piloting the Valley Bank balloon so that he and Aggie can be together and see each other during these three exciting days.

"After all, Aggie is still in charge of the

Valley Bank Balloon and I've flown it in this race every previous year," adds Knoblock.

Piloting the Coldwell Banker balloon in this their first official hot air balloon race will be veteran aeronaut and George Knoblock's former instructor Bob "Smittie" Smith who has been with Fairshow since its inception a decade ago.

Crewing for Smittie will be Coldwell Banker employees Bud Miller, Paul Wagner, Gino Burtin and Jean DeGraw.

As far as George Knoblock is concerned, investing in this spectacular balloon was the best investment Coldwell Banker could have made with their local advertising and operational budgets. ◆

## Government Fraud: The Corporate Death Penalty

—

*In an environment  
of increasing  
intolerance for  
fraud, Government  
contractors are  
urged to adopt  
strict controls  
and policies of  
self-review.*

—

### Editor's Note:

The following material will be of extreme importance to Nevada's defense contractors, those firms seeking to bid on government contracts and Nevada corporations who are "subs" to general contractors having government contracts. Because of media coverage of the "revolving door" syndrome in the Pentagon/Industrial Military Complex, Nevada Business Journal feels this report by Jones, Day, Reavis & Pogue, a Washington, D.C. international law firm, is relevant reading.

### Self-Defense Tactics Possible

It is imperative that defense contractors carefully and aggressively establish defensive procedures and policies now, or risk losing their right to bid on Government work for up to three years, says an attorney versed in corporate criminal law.

Contractors that do not follow such procedures face the possibility of severe corporate criminal penalties — potential fines in the millions of dollars, as well as jail sentences for executives and employees.

### War

Reeling after a decade-long initiative by the U.S. Department of Defense to defeat fraud, waste and abuse in defense contracting, these companies are in the midst of an ever-intensifying struggle as additional forces join in against them.

"The Departments of Defense and Justice, which are under increasing scrutiny and pressure from Congressional committees, have

given these cases their highest priority," according to George J. Moscarino, Chairman of the Corporate Criminal Investigations Section of the international law firm of Jones, Day, Reavis & Pogue.

Adds Moscarino, "Many of these investigations are being conducted with the aid of excellent criminal investigators from various Government agencies. The Government's investigation, pursuit and prosecution of civil fraud and criminal activity in the defense industry are rapidly intensifying."

In the meantime, the casualties are mounting. While Department of Defense suspended or debarred 57 contractors from bidding on Government work in 1975, that number soared to 660 in 1985 — an increase of over 1100 percent in 10 years. Almost all fraud prosecutions of public contractors focus on one of the criminal or civil statutes relating to false statements, false claims or conspiracy to defraud.

According to the Supreme Court:  
"To conspire to defraud the United States means primarily to cheat the Government out of property or money, but it also means to

interfere or obstruct one of its lawful governmental functions by deceit, craft or trickery, or at least by means that are dishonest. It is not necessary that the Government shall be subjected to property or pecuniary loss by the fraud, but only that its legitimate official action and purpose shall be defeated by misrepresentation, chicanery or the overreaching of those charged with carrying out the governmental intention."

### A Severe Business Climate

"There's never been a more severe climate for doing Government contract work," says James J. Graham, a former Justice Department specialist in procurement fraud who now practices in Jones Day's Government Contracts Section. "The Government is using criminal investigation and suspension to insure that federal procurement dollars are well spent."

He notes that such factors as heightened media coverage and public opinion have contributed to the Government's increasingly successful campaign to curb fraud and waste. Another more tangible factor, he says, was the creation of an Inspector General of Defense to oversee the Defense Contracts Audit Agency (DCAA), which employs 16,000 and in the period from mid-1985 to mid-1986, realized a net savings of \$2.6 billion through audits for the Department of Defense.

Finally, the 1987 Department of Defense policy guidelines for voluntary self-disclosure by defense contractors and increased statutory protection for "whistleblowers" have also contributed to the watchdog environment, notes John W. Chierichella, also of Jones Day. He practices in the firm's Government Regulation Group.

### Defense Department Employs Two Lethal Weapons

The Department of Defense can wield two very powerful weapons against defense contractors under investigation for fraud: temporary "suspension" of all Government contracts pending the results of investigation, and "debarment," in effect, a permanent suspension for up to three years. "Either action can threaten a corporation's viability," notes Chierichella. "In short, suspension or debarment can amount to a corporate death penalty. There is little procedural relief available to the suspended contractor."

The threat of suspension is very real for defense contractors, according to Chierichella. "The truth is," he says, "a contractor can be suspended wholly on the basis of an indictment and be left with no substantive means to combat the charges without potentially compromising his case."

The American Bar Association, in a recent report on suspension and debarment, concluded that procedures for suspension do not give an accused contractor the level of due-process protection required by the severity of the sanctions. The report found:

- insufficient notice of the reasons for suspension.
- limited opportunity for discovery.
- limited opportunity to cross-examine witnesses.
- excessive periods of suspension.

Chierichella warns that a contractor can find itself suddenly in the midst of a lengthy investigation for any of a number of actions taken by any one of its employees.

### First Alert, First Response

According to Moscarino, a corporation's response to investigations which threaten the corporation and its employees with both civil and criminal penalties must be swift, appropriate and responsible.

"A defense contractor must respond immediately and with the utmost care at the first sign of any indication of fraud, whether that sign of fraud comes from within the corporation itself, or as a result of a Government civil audit or criminal investigation," he says.

Because Government civil and criminal investigations of defense contractors are often co-mingled and difficult to detect, Moscarino adds, corporate executives and corporate counsel must react promptly when fraud against the Government is either alleged or indicated. And they must bear in mind the preservation of attorney-client privileged communications as they relate to both the corporation and the individual corporate employee.

Moscarino says, "A corporation should not

divulge confidential attorney-client communications that would reveal client confidences and expose the corporation to criminal indictment and its employees to possible jail sentences, unless waiver of the privilege is essential to the corporation's and shareholders' own best interest."

### The Risk Can Be Devastating

"An internal investigation which is not initiated swiftly at the earliest indication of fraud, which compromises the confidential attorney-client relationship, or which ignores the desirability of retaining outside counsel for the corporation and certain of its employees can be devastating," Moscarino says.

In the present climate of increased criminal investigations and prosecutions, Government contractors cannot wait until a grand jury subpoena surfaces before conducting an internal investigation, Moscarino warns. The internal investigation by a defense contractor involving fraud issues must gather sufficient facts to enable counsel with both civil and criminal expertise to advise the corporation and its employees of their individual rights and duties, while at the same time preserving privileged attorney-client communications.

Ironically, it has been during the Reagan Administration, theoretically sympathetic to business interests, that U.S. corporations have been the focus of expanded enforcement efforts using creative theories of liability. Corporations, particularly defense contractors, are the focus of almost all of the Government's white-collar crime resources. As part of this, the Government is demanding that companies disclose internal problems and that they plead guilty for conduct of mid- to low-level employees.

"The increasing number of prosecutions should not be interpreted to mean that the Government suspects that every contractor is involved in wrongdoing," says Chierichella. "The vast majority of defense contractors provide the Government with the best possible product for the lowest possible price."

### Corporate Omniscience Equals Corporate Liability

Corporations can be criminally liable for the acts and statements of every employee, from a maintenance worker to the CEO.

"The key to determining liability is whether or not the act or statement was made within the scope of employment. And some courts view 'scope of the employment' in broad terms," says George T. Manning, of the Corporate Criminal Investigations Section of Jones Day. "Basically, the court asks, 'Can the employee's conduct be reasonably assumed to represent the corporation?'"

Manning explains that corporations can be liable for actions taken by their employees, even if the companies gain no benefit from those actions.

In addition, the courts can find a corporation liable even if an employee's actions go directly against the contractor's written policy. "In these cases, the court looks at how vigorously the corporation has enforced those policies and policed personnel," he says.

In a recent decision, *U.S. vs. Bank of New England*, a federal court adopted as a standard, the collective knowledge of a corporation. It concluded, "The corporation is considered to have acquired the collective knowledge of its employees and is held responsible for failure to act accordingly."

The court made it clear that the corporation is responsible for all knowledge possessed by each of its employees, even when that knowledge has not been shared with anyone else in the organization. "Corporations bear the burden of responsibility in questions of liability," says Manning. "Many courts unfortunately assign a sort of omniscience to operations."

### Steering Clear of the Corporate Death Penalty

The 1986 Packard Commission Report on fraud, waste and abuse concluded, "Defense contractors have a moral and legal obligation to disclose to Government authorities misconduct discovered as a result of self-review."

Then, in 1987, the Department of Defense established a policy for voluntary self-disclosure. The Defense Department has suggested, though not guaranteed, that there will be no suspension or debarment proceedings initiated against contractors that adopt the policy and vigorously enforce it. It is too early to tell if the DOD "promises" will be honored.

Chierichella suggests that contractors establish standards of conduct and internal control systems to reduce their likelihood of being investigated, adding the steps outlined in the Defense guidelines are a good place to start. The guidelines state that a contractor's system of management controls should provide for:

1. a written code of business ethics and conduct and an ethics training program for all employees, plus disciplinary action for improper conduct.
2. internal controls for compliance with standards of conduct and the special requirements of Government contracting.
3. periodic reviews of company business practices, procedures, policies and controls, and periodic internal and/or external audits.
4. a mechanism, such as a "hot line," for employees to report suspected instances of improper conduct.
5. timely reporting to appropriate Government officials of any violation of law in con-

nection with Government contracts and cooperation with any Government agency responsible for either investigative or corrective actions.

Chierichella notes a contractor must establish self-regulatory guidelines before an investigation is begun. "A contractor, whose systems are updated and refined only after serious irregularities have occurred, is far less likely to find a receptive audience in Defense of Justice than is one whose controls were tightened in advance," he says.

#### New Law Makes Every Citizen a Potential Prosecutor

Due to new legislation, defense contractors face more than just an aggressive Department of Defense. In 1987, Congress passed the False Claims Reform Act based on the 1863 law pushed through Congress by President Lincoln, which allows private citizens to sue contractors for fraud on behalf of the Justice Department. Both acts contain a profit motive whereby successful claimants receive up to 30 percent of the court-awarded recovery — a recovery which can be three times as high as the damages sustained by the Government.

*The court made it clear that the corporation is responsible for all knowledge possessed by each of its employees, even when that knowledge has not been shared with anyone else in the organization.*

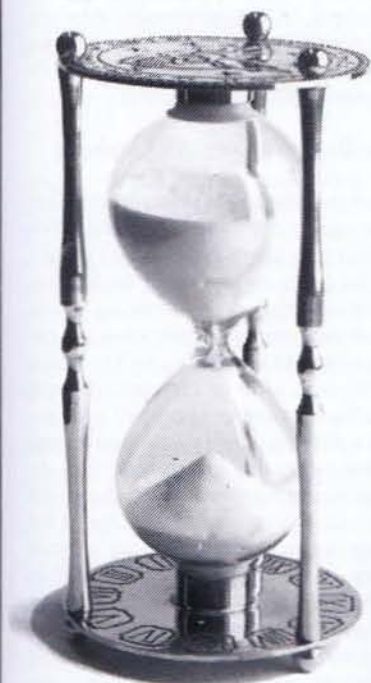
The original legislation was prompted by rampant contractor fraud during the Civil War which had the Union army finding sawdust in gunpowder cases and the cavalry paying for the horses twice. The law was an attempt to combat fraud without large federal expenditures of manpower or capital.

#### Proceed With Caution

"One thing is painfully clear: defense contractors today are facing an increasingly perilous environment in which to conduct business," says Chierichella. "Basically, contractors are under attack from all sides: head-on from Defense Department auditors, Congress and the Department of Justice; from the inside by trends toward voluntary self-disclosure; and now with the new False Claims Reform Act, there's the possibility of guerilla attacks that include prompt investigation by counsel of any indication or evidence of suspected fraud against the Government.

"In an environment like this one, a defense contractor should proceed with caution. And that means putting your house in order and adopting strict controls and policies of self-review."

# It's time to support NDA



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## Lessons From "Small Business College"

by Kathleen Foley

*The principal lesson learned from owning a small business does not relate to business itself — it concerns people: Never Trust Anyone*

*Editor's Note: Usually in the Nevada Business Journal, we report about the rosy outlook of the business world in Nevada — and justifiably so, as the business indicators and economic forecasts in our state are proof of a flourishing economy. However, on the individual level of the small business owner, the road to success is not always an easy one. One graduate of "Small Business College" has learned that the school of hard knocks can deliver a harsh lesson.*

When my husband and I joined another couple to form an air conditioning repair business in 1985, we expected to learn a lot about the business world, and we did. We learned about advertising and marketing, federal and state bureaucracies and the paperwork they generate; we learned how to schedule and dispatch repair calls, how to figure the proper markup for parts and labor, and how to prepare and read financial statements. But we all agree that the principal lesson we have learned from owning a small business does not relate to business itself. It concerns people — human psychology — and the lesson has been a hard and disillusioning one to accept. It is simply this: Never Trust Anyone.

We have learned our lessons the old-fashioned way: by making mistakes and by paying for them. For anyone else considering a venture into small business, I have condensed three years of advanced courses in human behavior into a few simple lessons. Consider this a "Cliff's Notes", if you will, to provide an outline of the courses without having to experience the painful lessons themselves.

### Lesson I: Never Trust A Customer

The folly of extending credit to customers is

usually the first hard and painful lesson the small businessperson learns, and our company was no exception. We've received the usual complement of bounced checks, phony promises to pay, overnight disappearances and outrageous lies. I received a call one December from a woman who sounded much like my own mother. We had accepted her check for \$200 for a job earlier that day. "Please don't cash the check," she sobbed. "I just discovered that my husband closed out our joint account and cancelled all my credit cards. We're going through a divorce after 20 years of marriage, but I never dreamed he would do anything like this to me. I promise to get you a money order as soon as I straighten things out with my lawyer." There followed six months of billings and phone calls: the strain of her ordeal had put her in the hospital, she was waiting for a big divorce settlement, she would get us a check in a few days, etc. We discovered much later that this pitiful-sounding woman was a known prostitute with six aliases and a mob attorney. She had been keeping her invalid aunt a prisoner in the house while embezzling her pension checks.

In the beginning, we would send a repairman out to a rental property and mail the bill to the landlord at his house. It seemed like a good

way to build up a base of property managers as clients. We don't do this anymore. Why? Because landlords and property managers, including licensed realtors, have ripped us off for thousands of dollars. We have been given phony billing addresses and fake names from imaginary realty companies. Sometimes it is the tenant who calls and pretends to be his landlord authorizing a repair. The landlord, who knows nothing about the bill, understandably refuses to pay when we send it to him. By the time we find out the truth, the tenant has disappeared. Even property managers with good reputations need to be badgered and threatened before they cut loose with the promised check. "I'll pay you on the first when I collect the rents" is a favorite ploy. Then we hear the excuse: "Rents were not enough to cover expenses. Maybe next month."

### Lesson II: Never Trust An Employee

Last year, we hired a nice young technician whom we treated like one of the family. We invited him to the house to watch ball games, went out for beers together after work, gave him payroll advances whenever he asked and let him use the company truck when his car was in the shop. We loaned him \$400 to make his rent payment after he claimed someone broke into his apartment and stole all his cash. Less than a week later, we discovered he had been telling customers not to have him do repair work through our company — he would come back after hours and do the repair for cash (using our parts and our truck!) We still don't know how many thousands of dollars this cost us. He didn't even have the decency to act ashamed when he was caught. He just packed up his belongings (and also some of our belongings) and moved to another state. Two other employees turned out to be drunks

who ruined our reputation and ripped us off. One of them stole \$1500 cash from us before he also moved out of state.

### Lesson III: The Loyal Customer

We receive a call at 8 p.m. on Friday from someone begging us to come out and fix his air conditioner because he's been a "Loyal Customer" and has recommended us to others. We realize that it is impossible to sleep when it's 95 degrees in the house, so even though our serviceman has just returned home after working 12 hours in 110 degree heat, we respond to this plea, and send him out again so that the customer can spend a comfortable night. Does the grateful client thank us for putting out the extra effort to take care of him? Many times our hot, exhausted serviceman arrives at the house to find some other company's man already on the roof. "Sorry," says Mr. Loyal Customer (if we can convince him to answer the door). "I called several companies and he was the first one to get here." So much for customer loyalty.

There is also the person who demands special attention because he's a Loyal Customer and then says, "I'll get back to you," when we tell him he needs an expensive repair. We find out later that he gave the job to another contractor who underbid us by a few dollars. Did Mr. Loyal Customer call us to ask if we could match the other guy's price? Did he consider the value of having it done correctly, with none of the corner-cutting that characterizes these companies who specialize in underbidding? Did he consider the value of having it done by someone he could trust to be there in case of problems after the repair? Was he, in short, loyal? No.

### Lesson IV: The Laws Protect Deadbeats

When I reach the end of the month, and am struggling to make ends meet, I often wonder why I bother to pay my bills. Nobody else seems to be worried about overdue bills, and now that I see the legal difficulties involved in collecting a debt, I begin to understand why. Someone with no experience in debt collection would be amazed and sickened at what the average business has to go through to attempt to collect a legal debt.

To file a Mechanics' Lien, for example, the business must file a form with the owner of the property within 30 days after the work is done. Even a flimsy excuse will give the customer a 30-day headstart, and if that form has not been filed, he gets away. Once a lien is in effect, it can stay on the property forever, as long as the owner does not sell or refinance it. If he keeps the building for 20 years, and you have no other claim on him besides the lien, you must wait 20 years for your money.

To file against someone in Small Claims Court, you must send a registered demand letter (\$2.00 postage), wait for ten days, type out six copies of the appropriate form, have each copy notarized (\$2.00 each), drive downtown to file them with Justice Court (gas, plus \$1.00 parking), pay filing fees (usually \$20.00), plus another fee to the constable for serving the papers (\$7.50 plus \$1.00 per mile). All these fees and the valuable time involved make it pointless to try to collect on anything less than \$100.00. The court date is then set for several months in the future, by which time the debtor will usually be long gone.

If you do get a court judgement, how do you collect? You can attach a debtor's bank account, but by the time you get this far, he is smart enough to have closed it. You can attempt to garnish the person's wages, but you might not know where he works, and he is not required to tell you. You cannot take his car and leave him without transportation, even if you have had to sell your own car to make up for the income he has cost you. The courts are no help in collecting the money owed to you, and will not give you legal advice.

Declaring bankruptcy is a favorite way to rip off the small businessperson. Last year, we had a contract to provide maintenance for an apartment complex, and after each job, our serviceman stopped at the manager's office and picked up a check for the services performed. After two months of small repairs, we were suddenly given four big-ticket jobs in one day. The manager explained that the check for these jobs would have to come from the head office because it was over a thousand dollars. When no check arrived, we did some investigating and discovered that the apartment owner had been in the process of declaring bankruptcy when he hired us to do the large contracts.

Could we then remove the parts we had installed? No — he was now protected under bankruptcy laws. Could we take him to court for the money he owed us? Could we attach something he owned, like a bank account or a vehicle? Sorry — he had declared bankruptcy, which is the adult equivalent of the kids' excuse: "I had my fingers crossed!" The attorney handling the bankruptcy sent us a copy of this man's creditors. The list filled eight pages of contractors and suppliers, large and small. Apparently when credit ran out at one company, he just started a line of credit with someone else.

Could we call friends at other companies and warn them not to extend credit to these people? Could we circulate a list of deadbeats among other contractors so that they could avoid being burned? Both perfectly logical alternatives are illegal. We might damage some swindler's reputation and get sued for everything we own.

### Lesson V: Beware of Other Companies

Large companies also like to prey on small businesses, not unlike large fish attacking smaller ones. Utility companies charge more for the same services when they find out it is for a business instead of an individual. Banking services and advertising operate the same way. And perhaps you think insurance companies give small businesses a break? They know we are required by law to carry insurance, so we have to pay whatever they dictate, and it is astronomical.

At the opposite end of the business spectrum are the unlicensed repair people who have one truck and a few tools and are making a nice living without paying any of the dues we legitimate businesses must pay. Naturally they can undercut our prices — they don't pay fees to the Contractor's Board, nor for city and county licenses or building permits. They have no SIIIS fees, no payroll taxes, no insurance, and usually no permanent address. They will undercut our bid, do a shoddy job, take the cash and run. Not only does this steal business from the legitimate contractor, but it also sours customers on repair people in general, and makes them treat us with suspicion and contempt. "I know your kind," they say. "You're trying to rip us off."

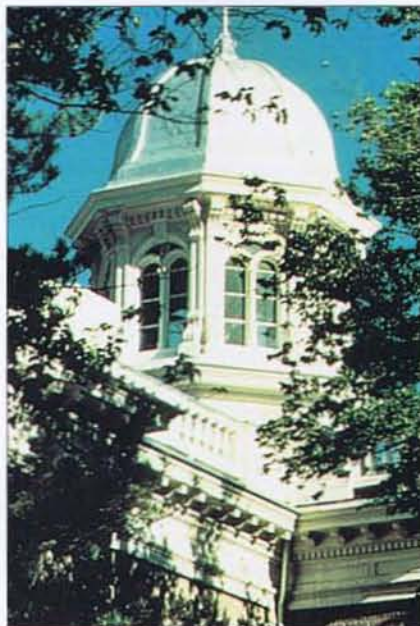
### Graduation Day

After surviving three years of these eye-opening educational experiences, when we now discover a customer or employee who appears to be loyal, honest and trust-worthy, we realize what a rare jewel he is and try to show our appreciation. We must always realize, however, that the situation could change at any moment, because we have learned the hard way not to accept people at face value for what they appear to be. We have learned to be cautious, to trust no one, to believe no story, however plausible, and to extend credit only to those who can prove they don't need it. We expect our employees to cheat us; we know that customers will write us bad checks, lie to us and change loyalties whenever they get a chance.

Yes, we have graduated from the original school of hard knocks, the College of Small Business, and have received a degree in cynicism and bitterness. Limp quickly away with your diploma, small businessperson — there are other dazed victims waiting in line to receive theirs. And, by the way, welcome to the real world. ♦

*Kathleen Foley is Vice President and part-owner of Anytime Air Conditioning & Heating, Inc., in Las Vegas.*

# The Silver Dome



## Nevada ranked fourth in ninth-annual manufacturing survey

The national accounting firm of Grant Thornton says Nevada is the fourth most attractive state for manufacturing companies when compared to 20 other low-industry states.

The ninth-annual ranking by the certified public accounting firm says Nevada won such a high place in the report because of its low taxes, few unions and low wages.

In a similar survey last year, Grant Thornton ranked Nevada 10th for manufacturing businesses among all states except Alaska and Hawaii, which were not included in the report. In 1986, Nevada was ranked 17th.

This year, the national accounting firm divided up the states when making the rankings, putting 27 in one high-level industry category and 21 in the low-level industry category.

Nevada was beat out among low industry states by first-place South Dakota, followed by North Dakota and Nebraska.

Grant Thornton's study was based on 21 factors garnered in surveys of governors, state economic development officials and state-

wide associations representing more than 100,000 manufacturers.

Danny Gortari, a senior consultant with the accounting firm, said the study is useful to businesses because "manufacturers are telling us bottom-line costs are important, such as wages and unionization."

But John Dobra, a University of Nevada-Reno economics professor, said some companies might want to look at social responsibility when locating a business. And he says the Grant Thornton gives a little weight to that.

"In a sense, being number one in Grant Thornton's poll might drive certain types of firms away," Dobra said.

## Tax-code changes impact gaming and mining industries

Officials say Nevada's two main industries, mining and gaming, are paying millions of dollars in new taxes following congressional tax-code changes in 1986.

"Businesses had no idea how severely it would impact them," says U.S. Rep. Barbara Vucanovich, R-Nev. She adds many Nevadans have complained the changes made the

tax code more complex instead of more simple.

"Most people are saying they've had trouble with the forms," says U.S. Sen. Harry Reid, D-Nev. "They expected simplicity."

Both mining and gaming officials say the reform bill did them more harm than good. The main complaint is that the new tax laws require excessive and unnecessary record-keeping.

Accountants for the gaming industry also say the tax bill hurt the casinos by eroding both the business-entertainment and bad-debt deductions.

Mining officials say they have been hurt by the loss of investment tax credits, principally the depletion allowance deduction. Without the depletion allowance, mine operators say mineral exploration is much more costly.

In 1988, Newmont Gold will pay about \$1.7 million in new taxes on research and development that formerly were tax-free, says Newmont controller Steve Vollstedt.

And Robert Chapman of Goldfields Operating Company said losing the depletion allowance will cost his company about \$7 million. Both companies have major mine operations in Nevada.

In addition, industries are paying more taxes under a change that lengthens the period for depreciation of assets. Businesses normally can write off certain capital investments, but now must deduct smaller amounts over a longer time.

## Settlement reached in State Insurance dispute

The State Insurance Division has announced a \$485,665 settlement resolving a 1987 complaint against Humana Health Insurance of Nevada.

Insurance Commissioner Dave Gates says the settlement includes more than \$302,665 paid to Humana policyholders who filed more than 100 consumer complaints with Gates' office.

The settlement also includes a \$50,000 fine and a requirement that Humana pay \$133,000 for the cost of the Insurance Division's examination.

Humana spokesman George Atkins, said that in signing a consent decree the company, one of the largest of its kind in Nevada, "is not admitting wrongdoing in any way, other than for technical violations."

Atkins had termed the 1987 complaint a "political trick" by Governor Richard Bryan who was pushing a health-care cost containment that passed in the 1987 Legislature.

Part of the complaint alleged that Humana Hospital Sunrise in Las Vegas, an affiliate, shuffled more than \$15 million to Humana



Health Insurance, but failed to show the transaction in an annual report as required by Nevada state law.

Atkins said Humana isn't admitting to any "shell game" in the money transfer. He says the Insurance Division acknowledged the figures were disclosed, but wanted more detail.

The complaint also alleged Humana didn't maintain its general ledger and various financial and accounting books in Nevada as required by law and, as a result, the division couldn't properly examine the insurer's financial condition.

## New regulations on hazardous cargo to be initiated in January

Trucking companies that haul hazardous materials will face new regulations starting in January — regulations that prompted complaints from industry leaders who say proposed penalties could put safe, but high-volume companies out of business.

The industry representatives say some companies have hundreds of trucks traveling through Nevada each day with both non-hazardous and hazardous cargo so the odds of being cited increase.

Under the proposed regulations mandated by the 1987 Nevada Legislature, a company's license to operate in Nevada would be suspended for 30 days if it was cited five times in 12 months by the Highway Patrol for operating a truck that should not be on the road.

Six serious violations would prompt a 90-day suspension and seven or more would require at least a one-year suspension under the proposed regulations.

The Legislature also approved adding 12 inspectors to the highway patrol to help enforce the new rules. Now, there are four inspectors who concentrate on trucking violations.

The penalties provision is one of 17 sections in the proposed rules to regulate permits, fees, reporting and definitions involving hazardous materials transportation.

## Nevada wins decision in Court of Appeals

Nevada has won two Ninth Circuit Court of Appeals cases that questioned the state Commerce Department's regulation of insurance companies and its overseeing of failed All-State Thrift.

Judge Diarmuid O'Scannlain ruled that states are immune from prosecution in federal court on matters pertaining to state law.

The All-State case upholds U.S. District Judge Roger Foley's dismissal in Las Vegas of

a suit brought against state officials by 54 investors who were among some 1,500 customers with about \$22 million in deposits.

The investors claimed state banking regulators were negligent in overseeing All-State before it went bankrupt in 1984. A related action against the regulators was recently dismissed by the Nevada Supreme Court.

Citibank of New York took over All-State in a deal that guaranteed a return of about 70 percent to 100 percent of the investors' money. Citibank wanted the thrift in order to take advantage of a new law permitting the mega-bank to conduct full-scale banking without lengthy delays.

In the second ruling by the Ninth Circuit Court in San Francisco, Judge O'Scannlain rejected a suit filed against Commerce Director Larry Struve and his Insurance Division chief, Dave Gates, for alleged illegal enforcement of insurance rules.

Central Reserve Life of North America Insurance Company sued, claiming it was exempt from a Nevada law requiring it to file policies and forms with Gates' office because its policies were issued through a trust in Ohio.

Gates issued a cease-and-desist order in May against Central Reserve, halting all marketing by the company in Nevada. The company has since complied with insurance codes.

Attorney General Brian McKay says the Ninth Circuit ruling "upheld the right of states to regulate the insurance industry without fear of being sued in federal court. This was an important case because of the direct consumer protections contained in the Nevada state insurance code."

## Crack-down reduces number of boiler rooms in Nevada

Authorities say "boiler-room" telemarketing operations are drifting into Arizona as they are being forced to leave their traditional bases in Nevada and Southern California.

"Boiler room" is the term used by police in describing companies that fraudulently market a wide variety of goods through intensive telephone campaigns.

Ruth Zemeck of the Better Business Bureau of Maricopa County, Arizona, estimates that more than 20 telemarketing companies have moved their offices to Arizona because of increased pressure from law-enforcement authorities.

She adds that vitamins and weight-loss products have replaced vacations as the leading products sold by telemarketers operating in the county.

Nevada's Boiler Room Task Force, which includes agents from the FBI, Postal Inspection Service, Internal Revenue Service and

Secret Service as well as state, county and local authorities, has conducted 19 raids since its creation last year.

Tom Nicodemus of the FBI's Las Vegas office, says boiler rooms there have been a \$100 million-a-year business, but the crack-down has reduced the number of companies operating in Las Vegas.

"There were about 200," says Nicodemus. "Now there's about 40. They are really kind of abandoning ship here — a lot of them."

A similar task force has been cracking down on boiler-room operations in Southern California.

"We're approaching 250 (cases) in federal and state court," says David Katz, an assistant U.S. attorney who coordinates the Southern California Fraud Task Force.

He estimates that 70 percent of the nation's boiler-room companies operate out of Southern California, with as many as 1,000 doing business at any given time.

Katz also has said that he has heard some of the companies have moved to Arizona. "We like to think we're driving them out of business, but we're probably just driving them out of town," he said.

## Proposal to protect utility consumers finally adopted

A "bill of rights" to protect utility customers has been adopted by the state Public Service Commission following a five-year effort by PSC Chairman Scott Craigie.

Craigie announced his plans to adopt the proposal shortly after being named to the PSC in 1983. Since then, the measure has gone through a series of lengthy hearings and negotiating sessions with utility representatives and the state's consumer advocate.

"I believe this is one of the rewards of public service... when you create a benefit for people you care about," says Craigie, adding that the protections would be especially helpful for people living on fixed incomes.

The measure affects major utilities in the state, including Nevada Bell, Centel, Continental and CP National telephone companies; and power companies including CP National, Southwest Gas, Nevada Power and Sierra Pacific Power Company.

Highlights of the "bill of rights" include:

- Exemptions from deposits for any customer with a good payment history with another energy utility or phone company; and a requirement for utilities to supply forms upon request to be used in confirming that payment history.

- No deposits for any customer 62 years or older who is on Social Security or another retirement plan and has a good payment his-

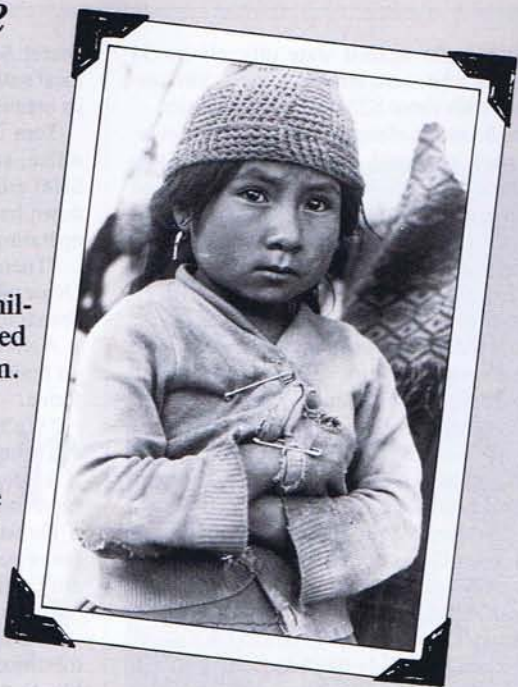
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This is Maria. This Christmas, Maria and millions of children like her need caring friends to love them.

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By becoming a sponsor now you can provide things like food, clothing, medicine and a Christian education for a child like Maria in time for Christmas. You will also be helping your child's family, and even their community.

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tory. Craigie has said the exemption is warranted because many seniors live on lower, fixed incomes.

- A requirement for two notices prior to any gas or electricity service termination for non-payment of bills; and no service cut-off during a legitimate dispute over telephone toll charges.

- Utilities must offer payment plans to customers who have trouble paying their bills; and also offer "equalized" plans which average out periods of high and low gas or electricity use.

- Utilities must notify customers they can appeal their bills or other disputes to the PSC's consumer division; and offer free meter testing in disputed cases. Such tests could occur only once a year except in extraordinary cases.

### **Recommendation made to increase industrial safety standards**

A governor's blue-ribbon panel wants higher safety standards and tighter enforcement of those standards in light of the explosion at the Pepcon plant in Henderson last May.

Lt. Gov. Bob Miller, who chaired the special panel, says its findings address the essential concerns that panel members heard in hearings conducted following the Pepcon blast.

The panel was formed following the series of blasts that killed two people, injured 326 and caused \$73 million in property damage.

Included among 43 recommendations is a proposal to relocate unsafe industries away from populated areas. That proposal was the toughest recommendation and may be difficult to enforce.

Also suggested are "significantly increased" fines against employers who violate state safety standards. The panel says current fines "are often miniscule in relation to industry profits."

Miller says the state has been lax in enforcing its safety standards for employers and the commission feels it is imperative that high-hazard businesses be inspected at least four times a year.

There is also a demand that the state make public its confidential safety records on Nevada employers.

"Citizens have a right to know the safety history of any business," Miller says. "The (state) Division of Occupational Safety and Health must open its records for public access, while maintaining the confidentiality of those reporting the violations."

The report also calls for reclassifying ammonium perchlorate, the component involved in the Pepcon blast, as an "explosive combustible" rather than just a rocket fuel oxidizer. ♣

## Finding Qualified Money Managers

by Annette Bidart and James Ross

*"If an investment advisor is properly appointed, the trustee of the fund is specifically relieved of the responsibility regarding the investment management of the fund or that portion of the fund which is placed with the investment advisors."*

— Employee Retirement Income Security Act of 1974

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

• • •

Once a plan sponsor has defined his needs, set realistic investment objectives, determined an appropriate asset allocation and then put all of this in writing, the next step is to find a dedicated, professional, registered investment advisor to handle the day-to-day investment management of the portfolio.

At the end of 1987, there were over 15,000 investment advisors/money managers registered with the Securities and Exchange Commission. One role of a professional investment management consultant is to help eliminate unsuitable money managers for plan sponsors to review, thereby keeping the number of viable candidates to a manageable level. Quoting the Employee Retirement Income Security Act of 1974 (ERISA), "If an investment advisor is properly appointed, the trustee of the fund is specifically relieved of the responsibility regarding the investment management of the fund or that portion of the fund which is placed with the investment advisors." Consequently, screening money managers and finding one (s) that will meet the investment objectives and needs of the plan sponsor is one of the valuable services a consultant can offer.

Some of the screening criteria used by an investment management consultant include the investment company size, total assets under management, total number of accounts, average account size, years in business and the company's growth rate. As each plan sponsor has unique needs, it is important to look at a company that targets a market with your particular plan size, enough separate accounts to have a good asset base, but not too many that your plan becomes a number and is no longer deserving of special attention.

After understanding your needs, a consultant will look at various managers based on

their investment decision process, style, investment characteristics, disciplines and reputation of management. A manager that has an excellent past performance based on their style of investing in small, aggressive stocks would not be appropriate for a client seeking preservation of capital as his primary goal. A consultant researches managers that have proven areas of investment expertise in a particular style and category (fixed, equity, real estate, international stocks, etc.) and can match them up with the client.

Consultants not only look at the reputation and size of the company, but at the internal workings of the money manager and other areas that are not covered in a colorful brochure of charts, pictures and figures. Are their fees fair and competitive? Have they had consistency in their performance? Has there been any additions or departures of major person-

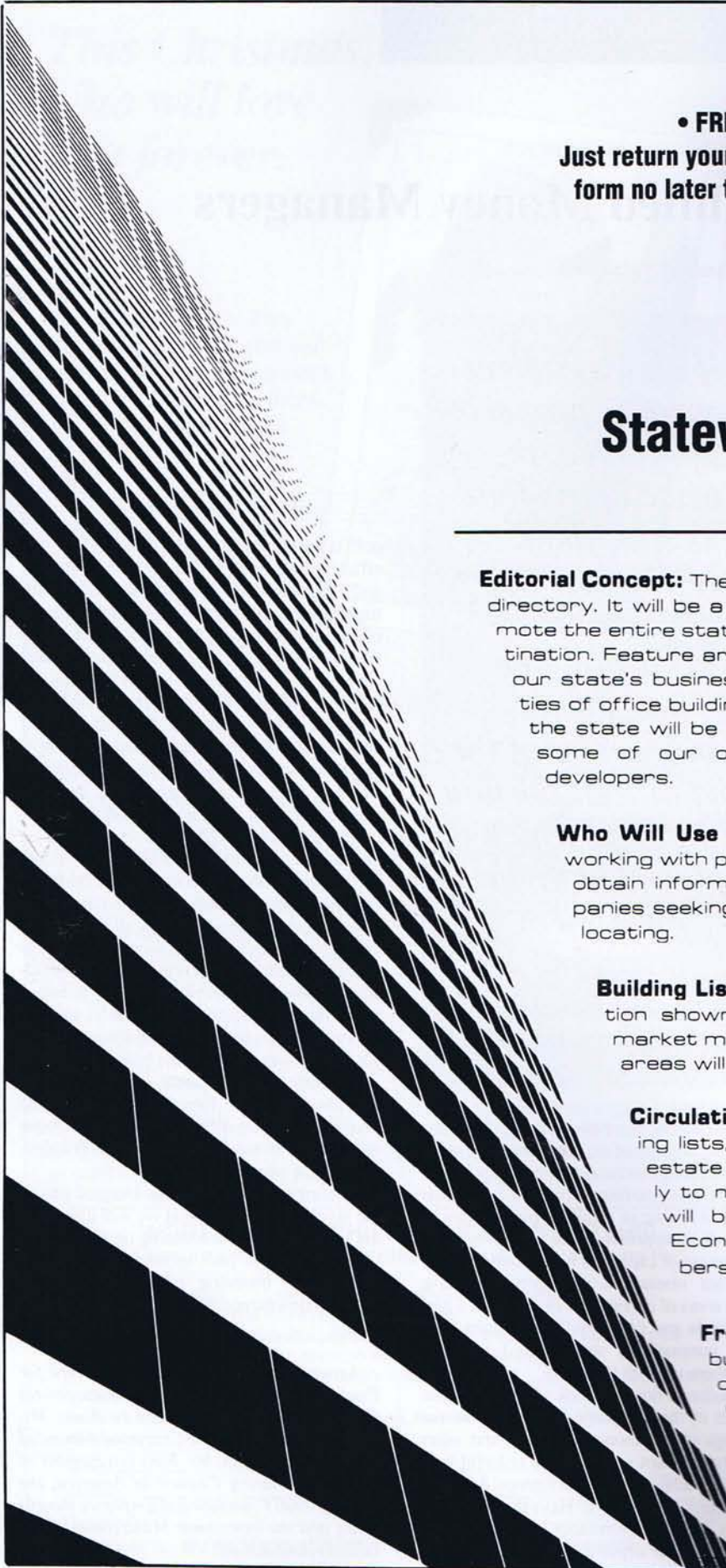
nel? Is their computer system up-to-date and efficient to keep the edge over other managers? These are some of the questions that a full-time professional investment management consultant can answer and make it his responsibility to continually keep up-to-date of any changes or developments within the firm.

Performance is another major criteria in hiring a money manager. Consultants will compare the investment advisor to relative indices and examine what kind of *added value* over and above a comparative index the manager has brought to their clients. A large portion of a manager's performance is based on the markets, but managers should, and can, bring an additional value to the table. Performance is a process based on many factors such as risk, security selection, asset allocation, investment timing, sector rotation and the internal decision making of the manager. A consultant can objectively review a money manager based on these factors and not "sell" any one idea as being the best, but one that is best suited for the plan sponsor and the beneficiaries.

Investment management consultants also provide ongoing performance analysis of the investment manager, making sure the manager is continually meeting the needs and objectives of the plan.

Performance analysis is an integral part of the investment process that we will discuss in the last article of six, focusing on the prudent investment steps plan sponsors should consider when investing qualified retirement plans, endowments, etc. ♦

Annette Bidart and James Ross work for Prudential-Bache Investment Management Consulting Services Division in Reno. Ms. Bidart is studying for a Chartered Financial Analyst designation. Mr. Ross is 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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# COMING IN

## Statewide Office, Industrial

**Editorial Concept:** The Office Guide will be much more than just a directory. It will be a complete editorial package that will promote the entire state of Nevada as a business relocation destination. Feature articles will highlight the positive aspects of our state's business environment. New construction activities of office buildings and industrial office parks throughout the state will be discussed. Included also will be profiles of some of our outstanding office complexes and their developers.

**Who Will Use The Guide?** Leasing agents and brokers, working with prospective tenants, will utilize the Guide to obtain information to facilitate the office move. Companies seeking information on opening, expanding or re-locating.

**Building Listing:** Listings will include all of the information shown on the form on the facing page. Office market maps with building locations keyed to specific areas will be included.

**Circulation, 15,000:** In addition to our regular mailing lists, copies will be targeted to corporate real estate decision makers with companies most likely to need Nevada office locations. Bonus copies will be distributed through Nevada's various Economic Development Authorities, and Chambers of Commerce.

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**If You Have More Than One Building Or Park Submit A Separate Form For Each**

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Building or property name \_\_\_\_\_

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City \_\_\_\_\_ Zip Code \_\_\_\_\_

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Leasing Company \_\_\_\_\_ Phone \_\_\_\_\_

Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

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## Changing a Prior Year's Tax Returns

by Richard Chulick

*After filing your Federal tax return for the previous year, additional information may become available that might entitle you to a refund or require you to pay additional taxes ...*

Most taxpayers would like to feel that their annual ritual of completing their tax return is now over for the year. However, as additional information becomes available, some may find that their tax liability was misstated. Examples of misstatements of income or deductions made on the original return include not using the most advantageous filing status (for example, head of household), misstating an item of income or deduction (for example, someone who sells a residence and intends to, but does not, reinvest the entire proceeds in another home), not claiming the correct amount of personal exemptions, or taking credit for excess Social Security payments (for example, taxpayers who work for more than one employer and have FICA tax withheld in excess of the required combined amount).

In the event you discover an error on a previously filed income tax return, an amended return should be filed with the Internal Revenue Service. This could result in either a refund or a payment. You should pay careful attention to satisfying the procedural requirements for filing an amended return in order to preserve your rights if a subsequent problem emerges with the IRS.

### Which Form to File

Generally, Form 1040X should be used to correct an error on a Federal individual income tax return previously filed. The IRS notes that it often takes two to three months to process this form. While Nevada does not have a state income tax, I should mention an error on your Federal return may also require an amended state return, and, if so, the appropriate state form should be filed. This would be the case if you filed a state income tax return.

If an application for a refund arises as a result of a net operating loss, the refund proc-

ess can normally be expedited by filing a Form 1045 "quickie refund" application. The IRS is required to act on these claimed refunds within 90 days. For refunds of other taxes, such as estate and gift taxes, a Form 843 should be used.

### Completing the Return

If a change in filing status from "married filing separately" to a joint return is being made, each taxpayer must sign the amended return. When completing the amended return, be sure to include all information as it was previously filed. If the return in question was audited, enter the amounts that were determined as a result of the examination.

In general, an explanation of each change and any related schedule or form should be attached to the amended return. For example, if the amended return uses income averaging, Schedule G must be attached. Remember that some changes made in income and deductions can cause other amounts to increase or decrease, such as medical expense, sales tax, and charitable contribution deductions. An amended return that constitutes a claim for a refund should set forth in detail each basis on

which a refund is sought, because the grounds stated in the claim may limit the issues that can be relied on later if a suit for refund is required.

If there is any tax due, it must be paid in full. The IRS will determine the amount of interest applicable and will either include it in the bill sent for underpayment of tax or in the refund.

### Where and When to File

The amended return should be filed at the IRS Service Center for the state in which the original tax return was filed.

It may also be filed by hand-delivering the form to a local IRS office.

Normally, an amended return must be filed within three years from the date the original return was filed (or from the normal due date, the infamous April 15, if that was later), or within two years from the date the tax was paid, whichever is later. The three-year deadline is extended to seven years when a refund is claimed based on a deduction for bad debt or worthless securities and to 10 years when it relates to a credit for foreign taxes. Form 1045 ("quickie refund") must be filed within one year from the end of the year of loss or excess tax credit in order to obtain expedited treatment.

### One Last Pointer

Be sure to use the Tax Table or Tax Rate Schedules for the proper year when figuring your corrected tax liability.

These are just some thoughts to consider. Your tax advisor can provide more detailed information and should be consulted before any action is taken. ♦

*Richard Chulick is a tax partner in the firm Deloitte, Haskins & Sells*

by Larry D. Denny, M.D.

## Mammography

*An essential tool in the early detection  
of breast cancer*

**T**his is the first in a series of articles written by various guest physicians, which will occasionally appear in this column. You should find the subjects presented here not only interesting, but filled with valuable information. The guest physician featured this month is Radiologist Christopher Rogers, M.D., who discusses the importance of self examination and periodic mammograms to detect and diagnose breast cancer in its earliest stages.

Currently the chairman of the Department of Radiology at Community Hospital in North Las Vegas, Dr. Rogers also serves as the director of the Breast and Ultrasound Center of Nevada in Las Vegas. He graduated from Howard University's Medical School in Washington, D.C. and completed his postgraduate training at the University of California-San Francisco and Letterman General Hospital. He has practiced radiology in Southern Nevada since 1973.

Because of a worthwhile and timely campaign on breast care education, the American Cancer Society has helped to achieve the single-most important element concerning any issue — awareness. Unfortunately, most women still do not practice basic preventive breast health care.

Various studies indicate that 59 percent of all women and 46 percent of women 45 and older have never had a mammogram. Surveys also indicate that of the women in high-risk groups who have reason to have had a mammogram, about 50 percent stated they had not obtained one because their doctor had not suggested it, 25 percent did not know they needed it and the remaining 25 percent felt that the cost was prohibitive. To encourage women to seek screening mammography, the American Cancer Society suggests to health-care facilities that they offer the test for between \$50 and \$60.

Statistics reveal that one out of every ten women in the United States will develop breast cancer. Approximately 45,000 will die

from the disease next year. Nevertheless, if detected early, breast cancer victims experience extremely high survival rates. Regular self-examinations and periodic breast x-rays or mammograms are essential to facilitate the discovery of breast cancer early enough to treat it successfully.

Self-examination is taught in nearly all breast centers. Additionally, many centers throughout the United States also perform mammograms on patients who desire one on their own — without a doctor's request. Throughout Nevada, there are many fine facilities that perform mammograms. Most will readily answer any questions regarding self-examination, mammography, the cost of any procedure, etc. As cost can be a determining factor, it is advisable to "shop" for the best price available. As mentioned above, all reputable health care facilities are capable of performing accurate mammographies. Some even provide instruction on the proper method for self-examination in their fee.

One high-profile success story in defense of mammograms is that of First Lady Nancy Reagan. Mrs. Reagan's breast cancer was not detected through self-examination — which she practices regularly. Neither did her doctors detect it during their exams. However, a mammogram was instrumental in revealing a small cancerous mass for which Mrs. Reagan was summarily treated and considered cured.

Routine periodic mammography has a similar place in the health-care of women as does the Pap smear. Just as thousands upon thousands of lives have been saved by the early detection of cervical cancer through the regular administration of the Pap smear, the mammogram can be responsible for achieving the same results — through the early detection and diagnosis of breast cancer — as it is increasingly practiced.

Doctors recommend that women 35 or older should have their first — or baseline — mammogram. Women that are between 40 and 50 should go in every one or two years. Those over the age of 50 should have mammograms performed on a yearly basis. ♦

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# Nevada Briefs

## Valley Bank donates \$20,000 to NDA

Valley Bank of Nevada announced the donation of \$20,000 to the Nevada Development Authority. Peter M. Thomas, Valley Bank president, presented the check to NDA officials. The money will assist NDA in their fund-raising efforts to help promote the state's favorable economic climate. Supported solely by the private sector, NDA is a non-profit organization that works to bring new industry into Nevada, allowing the state to further diversify its economy.

"We support NDA every year in their annual fund-raising drive," said Thomas. "Our \$20,000 donation is a substantial increase over what we've previously donated to NDA on an annual basis, but supporting this vital organization goes far beyond our monetary support. We, here at Valley Bank, take an active role in

NDA's efforts to bring new and diversified businesses into our great state," added Mr. Thomas. "We have the perfect economic conditions, that allow businesses to succeed and not just survive. In order for all this to continue, Nevada must remain a state free from corporate income tax."

"The Nevada Development Authority not only recognizes Valley Bank as one of its strongest financial supporters, but many of its people, like Peter Thomas, are NDA's closest friends," said Joe Brown, NDA chairman of the board. NDA officials also announced that Thomas will join the organization's executive board in the latter part of this year.

"I'm looking forward to working with the many people who volunteer much of their time and talents on behalf of NDA," said Thomas. "These are some of the state's most respected people, and I look forward to serving with them as we try to continually bring more jobs and prosperity to our state."



Valley Bank of Nevada President, Peter M. Thomas, (right) presents a check in the amount of \$20,000 to Nevada Development Authority executives, Joe Brown, NDA chairman of the board (middle) and General Bob Kelly, NDA chief executive officer. Valley Bank contributed to NDA's annual fund-raising campaign.

## Video Publishing Ventures, Inc. announces second contract

Video Publishing Ventures, Inc. (OTC), also known as The Magazine Channel, announced the signing of an agreement with Double Win Network Inc., publishers of an international investment banking journal.

Under the terms of the agreement, Video Publishing will produce, promote and distribute a three-year cable television series based on the *Double Win Network Investors Journal*. Gross revenues to VPV will be \$1.6 million, with potential ancillary sales and additional marketing sales worth approximately \$2 million more.

President Jon Ackelson said, "Financial programming is the most rapidly growing segment of the television industry. With this contract, we are entering a market niche that could lead to considerable additional financial-video production business."

VPV is the leader in production and promotion of video versions of national special-interest publications for cable television. VPV currently produces *Cyclist* video magazine. Headquartered in Denver, VPV is a public company traded over-the-counter.

## Reno CPA firm makes acquisition

Grant Thornton, a national accounting and management consulting firm whose practice is the largest of any CPA firm in Reno, has acquired the Reno practice of McGladrey and Pullen, another national CPA firm.

The acquisition, which brings to 65 the number of employees Grant Thornton has in Reno, makes the firm's Reno presence one of the largest in the state.

"The expansion of our accounting, tax and consulting practice reflects our enthusiasm for the Reno market," said Ronald R. Zideck, managing partner in charge of Grant Thornton's Reno office. "We can provide our new and existing clients with services that can help them compete successfully in their respective markets."

Throughout the country, Grant Thornton serves a broad range of growing businesses. In Reno, these clients include manufacturers, retailers, wholesalers, hotels and casinos, construction contractors, governmental agencies and not-for-profit agencies.

McGladrey and Pullen's Rod Larva will join Grant Thornton as an audit partner and Bruce Thee will join as the head of Reno's tax department. Zideck will continue as managing partner of the combined practice.



Grant Thornton, founded in 1924 as Alexander Grant and Company, has more than 50 offices throughout the United States and serves clients in more than 50 countries through Grant Thornton International.

## Southern Nevada growth cited by president of Lewis Homes

The news is good for growth in Southern Nevada — especially for the home-building industry, according to Robert E. Lewis, president of the Southern Nevada Home Builders Association.

Lewis cited recent local reports of record-breaking building permit totals, plus national headlines showing Las Vegas' lead in new-home-construction percentage increases.

"These news reports underscore what we in the home-building industry already know — that the Las Vegas market is booming," said Lewis.

Recent studies reveal these facts:

- Nearly 4,000 new residents — approximately 1200 families — are moving into the area each month.
- Valuation of building permits issued in Clark County through July of this year total \$311.5 million, compared to last year's \$174.8 million in the same period.
- Las Vegas had the highest percentage of increase in housing construction in the nation in 1987.
- Las Vegas was the fifth-leading growth market with 5.47 new housing units built for every 100 existing households in 1987, adding up to 12,500 new units.
- It is projected that Las Vegas will have approximately 14,000 new units this year, with 8,000 of those units for single-family housing.

"These impressive facts paint a positive picture for Southern Nevada's economy," Lewis said. "A healthy business climate and progressive elected officials will help keep Las Vegas in a leadership position in the home-building industry."

Lewis, president of Lewis Homes of Nevada, has overseen the building of more than 6,000 homes in Southern Nevada since 1962.

## ITT expands WATS network

ITT Corporation's long distance telephone unit added Reno and Las Vegas plus six other western cities to its dedicated access network recently. The other new cities include: Denver, Eugene, Portland, Sacramento, San Diego and Seattle.

These latest additions mean that customers in Reno, Las Vegas and 54 U.S. cities and surrounding metropolitan areas now have greater choice for high-quality long-distance service at considerable savings over competitive offerings according to ITT. With the recent addition of a new WATS offering for smaller businesses, ITT now is able to provide cost-effective service to Nevada businesses with calling volumes of all sizes.

## Rural Nevada communities sponsor trivia contest

During the next few months, it will probably never be as profitable — or fun — to travel through rural Nevada.

More than 20 communities, stretching from one side of the state to the other, have devised Silver Trails Trivia II, a trivia contest designed to let travelers learn a little something about each area and have a chance to win 250 ounces of genuine Nevada silver bullion.

The rules are simple: travelers can drive either Highway 95, Highway 93 or Highway 50 through Nevada and answer a set of trivia questions related to communities located along each route. To make it easier, answers to the questions have been printed on special posters in businesses in each community.

Those correctly answering the questions will have their names entered into a drawing for four silver bars minted in Nevada. The grand prize is a 100-ounce bar of silver, with separate drawings for three 50-ounce bars that will be awarded to travelers correctly answering the questions for each of the three routes.

"The purpose of the contest is to encourage people to experience some of the less familiar areas in Nevada — what we call 'the other Nevada,'" said Pat Parsons, chair of the Pioneer Territory, a rural Nevada marketing group that developed the game.

Parsons, who lives in the community of Hawthorne, said few people outside of Nevada realize that there is far more to the state than sand and desert.

"We have many beautiful scenic areas and parks, including the new Great Basin National Park, the Humboldt National Forest, the Pahrangat Lakes and, near my home, Walker Lake," Parsons said. "Rural Nevada is one of the few remaining places you can still find open range land and real cowboys."

Parsons said the questions relate to many of the historic communities located on each of the three highways. For example, she said one question asks, "What community was named for its first-born resident?"

In order to qualify for the drawings, a contestant must correctly answer the trivia ques-

tions related to only one of the three routes. One entry is allowed per person per route and entrants must be 18 or older.

All entries must be postmarked by May 1, 1989, with the winners selected at the Jim Butler Days celebration on May 27 in Tonopah, Nevada.

For more information or to receive an entry form, contact the Nevada Commission on Tourism, Capitol Complex, Carson City, NV 89710.

## Reno agency wins national advertising award

Reno's Doyle-McKenna and Associates, Inc. was awarded the Silver Effie in the American Marketing Association's annual Effie awards competition recently.

Gold, Silver and Bronze Effies are awarded to the agencies which have produced remarkably effective advertising campaigns throughout the year.

Doyle-McKenna received an Effie for the "Yard Fitness Plan" campaign developed for Westpac Utilities. The Yard Fitness Plan helped Reno and Sparks reduce total water consumption for 1987 by encouraging customers to water their lawns and yards only twice a week. This delayed the construction of a new water treatment facility and saved Westpac customers an estimated \$3.5 million in annual utility-rate increases.

The Gold Effie in the Utilities/Chemical category went to the Mintz and Hoke agency for their Northeast Utilities campaign. Jordan, McGrath, Case and Taylor received the 1988 Grand Effie for their work on the Quaker Oats account.

Doyle-McKenna, which in 1987 became the first Nevada agency to win an Effie, was the only Nevada agency among this year's finalists.

## Publication provides guide to commercial real estate in Northern Nevada

Those who are looking for commercial property in the Reno, Carson or Lake Tahoe areas will find *Northern Nevada Commercial Real Estate* a helpful resource. The publication, now celebrating its first anniversary, is a spin-off of the *Homes Guide or Homes and Land*, differing in that it focuses exclusively on commercial property, income properties, lots and parcels and business opportunities.

Most advertisements are basically standardized, disclosing such information as zoning, prices, unit sizes available, minimum



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So, after you've tried all the others, come on back to The Original.

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lease, property age, incentives, improvement allowances and cooperation fees for realtors.

The staff behind this idea is one Warren Graham of Reno. Graham performs all phases of the publication except the printing. The fact that he does the sales, photography, typesetting and distribution enables him to keep his overhead and prices competitive. The monthly magazine averages between 32 and 40 pages while turning over approximately 25 percent of its ads per issue.

Graham initially came up with idea for the publication as a means to generate business as a realtor. While this was the original intent, he readily admits publishing is a full-time occupation in itself and has for the most part put real estate sales on "standby".

The ultimate success or failure of the publication depends upon repeat business. "I have received support from most of the major commercial brokers in the area at one time or another," says Graham.

## Trust purchases Elko Junction Shopping Center

Western Investment Real Estate Trust (ASE/WIR) recently purchased the Elko Junction Shopping Center in Elko for \$5,825,600.

Located at State Highway 225 and Interstate 80, the 9.7 acre center is anchored by Raley's Superstore and consists of approximately 88,000 square feet of gross leasable area. Other principal tenants of the center, which is 100 percent leased, are Sears Catalog Store, Round Table Pizza and Beno's junior department store. The center, developed in 1987 by Connolly Development, Inc. of Sacramento, was purchased from Elko C and R Associates, a California limited partnership.

Connolly will continue to manage and lease Elko Junction. In addition to Elko Junction, Western Investment Real Estate Trust recently purchased the Connolly-developed North Hills Shopping Center in Reno, which is also anchored by Raley's Superstore and owns the Raley's Superstores in West Valley Plaza, Fallon, and in West Town Shopping Center, Winnemucca.

Western Investment Real Estate is a self-administered equity real estate investment trust, based in San Francisco, which has invested in properties consisting of shopping centers and commercial buildings in northern and central California. Founded in 1962, the Trust now has investments in 52 income-producing properties, including 29 supermarkets and shopping centers.

Connolly Development, Inc. has completed more than four million square feet of commercial space throughout 30 community and neighborhood shopping centers in northern California and Nevada.

# Have Your Say...

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1987-88  
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# In the Executive Suite

## Summa Corporation names new Chief Executive Officer



M. Rex Baird

John L. Goolsby, president and chief operating officer of Summa Corporation, announced the appointment of M. Rex Baird as senior vice president and chief financial officer.

Mr. Baird comes to Summa Corporation from the Cullen Center, Inc. in Houston, Texas where he served as vice president of finance/treasurer and chief financial officer for 11 years. Cullen Center, Inc. is the owner, devel-

oper and operator of more than three million square feet of commercial office space, mostly in downtown Houston, as well as a 275-room downtown Houston hotel and other real estate projects.

His new responsibilities will include all administrative and financial affairs, loan procurement and long-term strategic planning for Summa Corporation and Howard Hughes Properties projects.

The announcement of Mr. Baird's hiring completes the reorganization of the company as a result of the company's decision to refocus its ongoing businesses solely on real estate investment and development. That plan is now complete with the withdrawal of Summa from the gaming business and its recent decision to sell Hughes Aviation Services, according to Mr. Goolsby.

Mr. Goolsby said, "We have assembled an excellent staff that will remain in place and will continue to contribute to the quality and growth of Southern Nevada and Southern California for many years.

Summa Corporation is presently involved in the development of several large scale mixed-use developments in Nevada and California.

In Houston, Mr. Baird was active in the Houston International Festival, the Central Houston Association, St. Cyril Catholic Church and the Spring Branch Memorial Sports Association.

Mr. Baird graduated from Sam Houston State University in Huntsville, Texas, where he received his Bachelor's degree in Business Administration.

## Vice President named by Western Technologies

The appointment of Richard Richards, P.G., to vice president of Western Technologies, Inc. was recently announced by President James G. Bennett, P.E.

Richards is responsible for the overall management of the geotechnical, drilling and environmental engineering departments of the Phoenix branch of the firm. He brings to the organization 20 years of experience in managing professional engineers and scientists at all levels.

Before joining Western Technologies, Richards was executive vice president and chief operating officer of Charles R. Velzy Associates (a Weston subsidiary) in Armonk, New York. Prior to that, he was president of F.M. Fox and Associates and Ertec Rocky Mountain, Inc., both in the Denver area.

Richards received a Bachelor of Science degree in Geological Engineering from the Colorado School of Mines in 1962 and is a Registered Professional Geologist and a Certified Professional Geological Scientist. He holds membership in many professional organizations, including the American Institute of Professional Geologists, the American Society of Civil Engineers, the American Institute of Mining Engineers, the Association of Engineering Geologists and the United States Committee on Large Dams.

Western Technologies provides expertise in geotechnical, materials, construction and environmental engineering, physical testing and chemistry to clients who require excellence in quality and service. The employee-owned organization has 11 branches in Arizona, New Mexico and Nevada, and is headquartered in Phoenix.

## New owners of Frontier Hotel/Casino appoint Vice President

After 17 years with Caesars Palace, Dominic Tegano was ready for a change and a challenge, and he got both when he accepted the job of vice president for casino operations at the Frontier Hotel in Las Vegas. The Elardi family, who took over the Western-theme resort on the first of July, have literally torn the building apart, and they intend to rebuild it to their own specifications. Within hours after they took control, workmen had stripped Siegfried and Roy's showroom down to dirt floors and wall studs.

Dominic Tegano could be found in the midst of this chaos, weaving his way through bulldozers and workmen to point out the future locations of a cafe and buffet area. He ex-

plained that the Frontier will eliminate the showroom, the sports book will triple in size, the present front desk area will be replaced by a shopping arcade and the steakhouse will become a gourmet Mexican restaurant.

But the physical changes in the resort are only part of the Elardis' plan for the Frontier, according to Tegano. They intend to replace the Western theme, which has been a part of the resort since it was first opened, with a modern, sophisticated image. They also intend to court a more upscale clientele.

"Anyone who walks in the door will be able to negotiate a deal," he states. "They can pretty much set their own stakes, like in the biggest Strip hotels." Besides attracting these megagamblers, the Frontier will also target medium-range patrons with credit lines in the \$30 to \$50,000 range.

"We intend to give people value for their money, whether they are local slot players, tourists with a few dollars to play at the tables, or high rollers who want no-limit gaming," says the new vice president.

Tegano estimates he worked 20 hours a day during the month of July, and as he walks through the crowded casino he is constantly stopped by executives and underlings alike, who ask for instructions, recommendations and the latest news from upstairs. "Upstairs" is somewhere Tegano rarely visits — although he has a perfectly good office there, he rarely has time to use it. He is too busy handling the day-to-day operations on the casino floor, which on any given day may or may not involve dodging bulldozers.

## McGladrey & Pullen announces promotions in Las Vegas office

Jerry E. McGuire, CPA, has been promoted to tax supervisor for McGladrey and Pullen, Certified Public Accountants and Consultants. He has spent the last three years at McGladrey working with clients regarding pension and profit sharing plans, 401(k) plans, corporate and individual tax planning and retirement planning. Prior to that, he worked with the IRS in Las Vegas.

He holds his Bachelor of Science degree in Accounting from Montana State University. He is a member of the American Institute of Certified Public Accountants and the Montana Society of Certified Public Accountants.

Kyle L. Tingle, CPA, has been promoted to general services supervisor. He's been with McGladrey for over four years working with construction, retail and wholesale companies.

Tingle has a Bachelor of Science degree in Business Administration from the University of South Dakota and is a member of the Nevada Society of Certified Public Accountants.

He is also a member of the Las Vegas Jaycees.

Philip D. Luna was promoted to consulting supervisor. Luna consults with clients on micro-computer projects including computer selection, implementation and training on accounting systems. He has related experience in local area networks, database applications and spreadsheet application generation.

Luna has earned his Masters in Business Administration, Bachelor of Science Degree in Management Information Systems and Quantitative Management Science from the University of Nevada, Las Vegas.

McGladrey and Pullen is the 13th largest accounting and consulting firm in the nation. With 65 offices nationwide, McGladrey serves over 100,000 closely-held businesses.

## Southern Nevada Clean Communities names Executive Director



Rene Merlau-Shreder

Rene Merlau-Shreder has been named executive director for Southern Nevada Clean Communities (SCNN), the local Keep America Beautiful system.

Steve Kalish, SNCC president, said Merlau-Shreder was chosen from a list of highly-qualified candidates to direct the program which includes massive cleanup operations, education and community awareness.

A former marketing director for WE CAN, Inc., Merlau-Shreder is past president of the Communications and Resource Council of United Way Agencies and is a board member of the Las Vegas Women's Council.

SNCC is a coalition of civic, government and private industry representatives to carry out local Keep America Beautiful projects. In the three years since its inception, the local organization has received numerous national and regional awards.

## Officers elected to CPA Foundation



Brent Archibald

Certified Public Accountants Brent Archibald, Robert Huggins and Debra Smith are the new officers of the Nevada CPA Foundation for Education and Research.

Brent Archibald was elected chairman, following his 1987-88 term as vice chairman. Archibald is a partner with the Las Vegas accounting firm of Stewart, Archibald and Barney. He has been a member of the Nevada Society of Certified Public Accountants (NSCPA) since 1972 and is a former president of the NSCPA Las Vegas Chapter.

The newly-elected chairman is Robert Huggins. A member of the NSCPA since 1975, Huggins has an extensive background in accounting for the gaming industry. He is currently chief financial officer for Gaming and Technology, Inc. and is a former secretary/treasurer of the CPA Foundation.

Debra Smith, a supervisor with Kafoury, Armstrong and Company's Reno office was elected secretary/treasurer. She served as a Foundation trustee during 1987 and is currently vice president of the NSCPA Reno Chapter.

Other CPAs serving as Foundation trustees for the coming year will include: Richard Maples (Kafoury, Armstrong and Company/Carson City), Barbara Wardell (Deloitte, Haskins and Sells/Reno), Roy Arthurs (Qualified Plan Consultants/Reno) and Leland Pace (Stewart, Archibald and Barney/Las Vegas).

The Nevada CPA Foundation for Education and Research provides continuing professional education for CPAs in an effort to maintain quality accounting services in the state. The Foundation also provides scholarship funding for accounting students at UNR, UNLV and Nevada's four community colleges. ♦

# Rising Interest Rates Casts Pall on Market

**A** one-half point rise in interest rates led to a sharp drop in stock prices during the month ended August 11.

The rise in the Federal Reserve discount rate from six percent to 6.5 percent, in turn, led to an increase in the prime lending rate from nine and a half percent to ten percent — its highest mark in three years.

The result: Nevada-based stocks took a beating as our financial barometer clearly reveals. Investors, fearing a repeat of last October's spectacular swan dive, retreated from the stock market in response to the rise in interest rates. As a result, the *Nevada Business*

*Journal* Stock Index gave back 67.24 points while the Dow Jones Industrial Average tumbled 65.07 points for the period.

In other words, each stock in our portfolio suffered an average loss of 3.56 percent to close at a three-month low of 1819.74. The Dow Industrials fell 3.09 percent for the same period.

International Game Technology (up \$4.12) continued to impress Wall Street with its strong earnings performance. This time around, the company said it expects to report record third-quarter earnings per share of more than \$.40 a share — compared to \$.12 a share for the same period last year. As a result,

International Game Technology took largest dollar-gained honors of all the stocks we monitor.

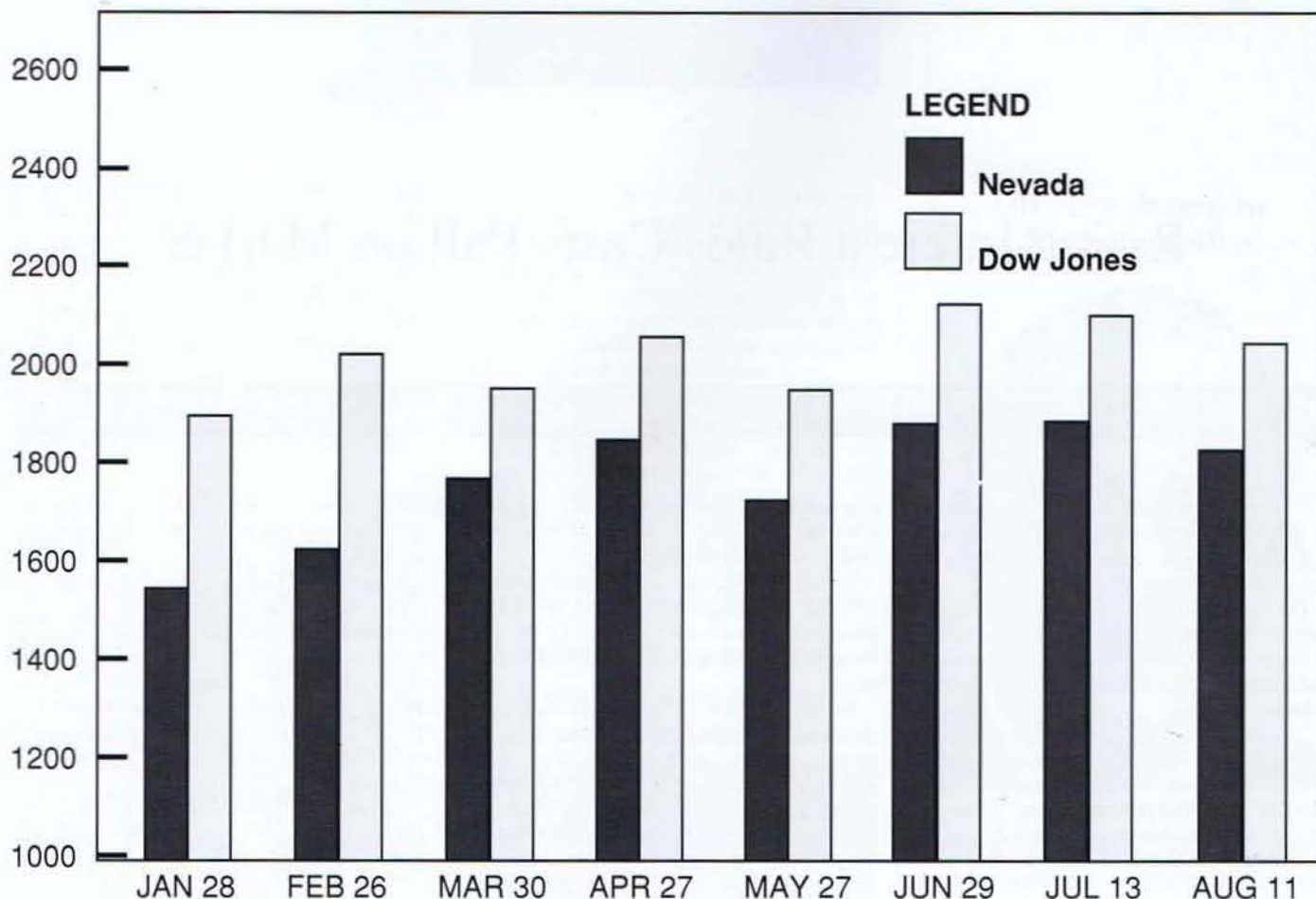
Conversely, Circus Circus (down \$4.12) witnessed selling pressure amid reports its president, William Pennington, will sell 3.5 million shares of the company's common stock for \$30.50 a share. Last month, Mr. Pennington said he will retire as president of Circus Circus after he reduces his stake in the casino operator to about 16.1 percent from 25.8 percent.

In dividend news, Nevada Power completed a previously announced dividend boost to \$1.52 a share from \$1.48.

## NEVADA BUSINESS JOURNAL STOCK INDEX

Exch	Company	Ticker Symbol	Closing Price 07/13/88	Closing Price 08/11/88	Net Chng in Period	% Chng in Period	P/E Ratio	Annual Dividend Rate	Yield	Annual High	Low
OTC	Amserv	AMSR	3.25	3.38	.13	4.00	d	0.00	0.00	4.13	1.50
OTC	Cadema Corp.	CDMA	.94	.75	-.19	-20.21	—	0.00	0.00	2.31	.75
NYS	Circus Circus (H)	CIR	34.00	29.88	-4.12	-12.12	16	0.00	0.00	34.75	17.50
ASE	Elsinore Corp.	ELS	1.50	1.50	0.00	0.00	d	0.00	0.00	3.75	1.25
OTC	First Western Financial	FWES	8.25	9.13	.88	10.67	6	.32	3.50	11.38	5.63
OTC	Frontier Savings	FRNT	2.25	2.13	-.12	-5.33	—	0.00	0.00	3.25	2.00
OTC	Gaming and Technology	GATI	8.00	8.00	0.00	0.00	14	0.00	0.00	8.88	3.00
NYS	Golden Nugget	GNG	13.25	12.13	-1.12	-8.45	3	0.00	0.00	15.25	7.63
OTC	Hytek Microsystems	HTEK	3.25	3.38	.13	4.00	10	0.00	0.00	3.50	1.25
OTC	Int'l Game Technology (H)	IGAM	20.13	24.25	4.12	20.47	41	0.00	0.00	27.00	7.13
NYS	Jackpot Enterprises (H)	JACK	16.50	15.13	-1.37	-8.30	17	.24	1.59	17.63	6.75
OTC	Linear Instruments	LINR	1.13	1.13	0.00	0.00	—	0.00	0.00	1.25	.63
OTC	Major Video Corporation (H)	MAJV	15.00	14.50	-.50	-3.33	47	0.00	0.00	16.75	3.13
OTC	MarCor Development	MAAR	3.31	3.31	0.00	0.00	—	0.00	0.00	4.38	1.75
OTC	Migent Software (L)	MGNTF	.94	.63	-.31	-32.98	—	0.00	0.00	6.75	.81
OTC	Nevada National Bancorp	NENB	7.38	7.38	0.00	0.00	d	0.00	0.00	7.75	6.25
NYS	Nevada Power	NVP	20.13	20.38	.25	1.24	10	1.52	7.46	22.25	16.38
NYS	Sahara Casino Partners	SAH	8.50	8.38	-.12	-1.41	—	1.03	12.29	9.00	5.75
OTC	Sahara Resorts	SHRE	18.25	17.25	-1.00	-5.48	d	0.00	0.00	20.00	6.50
OTC	Sands Regent	SNDS	9.75	10.00	.25	2.56	10	0.00	0.00	13.75	7.75
NYS	Showboat Inc.	SBO	10.00	8.38	-1.62	-16.20	83	.28	3.34	16.75	6.13
ASE	Sierra Health Service	SIE	2.13	2.00	-.13	-6.10	d	0.00	0.00	4.63	1.63
NYS	Sierra Pacific Resources	SRP	22.25	21.50	-.75	-3.37	11	1.76	8.19	24.25	18.00
NYS	Southwest Gas	SWX	20.50	20.75	.25	1.22	9	1.34	6.46	25.50	18.25
OTC	Sun State Savings & Loan	SSSL	7.75	6.50	-1.25	-16.13	7	0.00	0.00	10.50	5.25
OTC	Sunworld Int'l Airways	SUNA	.13	.13	0.00	0.00	—	0.00	0.00	2.38	.06
OTC	Syntech International	SYNE	3.50	3.38	-.12	-3.43	23	0.00	0.00	9.00	2.88
OTC	United Mining	UMIN	.19	.13	-.06	-31.58	—	0.00	0.00	.88	.06
OTC	Vacation Spa Resorts	VSPA	.09	.13	.04	44.44	1	0.00	0.00	.13	.03
OTC	Valley Capital Corp.	VCCN	31.50	25.50	-6.00	-19.05	—	.80	3.14	34.50	19.00
OTC	Vanderbilt Gold	VAGO	4.00	3.88	-.12	-3.00	61	0.00	0.00	8.63	3.75
OTC	Vita Plus Industries	VPII	.38	.38	0.00	0.00	d	0.00	0.00	1.63	.31
OTC	Westar (L)	WSTR	.41	.50	.09	21.95	—	0.00	0.00	1.63	.31
OTC	Xebec	XEBC	.22	.22	0.00	0.00	d	0.00	0.00	.38	.13

KEY: (H) = New high in period; (L) = New low in period; d = Deficit; NYS = New York Stock Exchange; ASE = American Stock Exchange; OTC = Over The Counter; (s) = Reflects stock split  
 Compiled by Nordby International, Inc. This information is obtained from sources believed to be reliable but cannot be guaranteed to be completely accurate. This information is subject to change without notice.



### CLOSING QUOTES FOR BAR CHART (Above)

Date	Nevada	Dow Jones
01/28	1560.98	1930.04
02/26	1625.12	2023.21
03/30	1793.89	1978.12
04/27	1834.41	2047.91
05/27	1727.14	1956.44
06/29	1840.99	2121.98
07/13	1886.98	2104.37
08/11	1819.74	2039.30

### MARKET DIARY

Advances	9
Declines	17
Unchanged	8
New Highs	1
New Lows	0

### MOST ACTIVE ISSUES

Largest Dollar Gainer	International Game Technology	\$4.12
Largest Dollar Loser	Valley Capital Corporation	-\$6.00
Largest Percentage Gainer	Vacation Spa Resorts	44.44%
Largest Percentage Loser	Migent Software	-32.98%

### INDICES

	Close 07/13/88	Close 08/11/88	Net Chng in Period	Percent Chng in Period
Nevada Business Journal Stock Index	1886.98	1819.74	-67.24	-3.56
Dow Jones Industrial Average	2104.37	2039.30	-65.07	-3.09
N.Y.S.E. Composite	152.27	148.60	-3.67	-2.41
Standard & Poor's 500-Stock Index	269.32	262.75	-6.57	-2.44
NASDAQ OTC Composite	393.56	379.11	-14.45	-3.67

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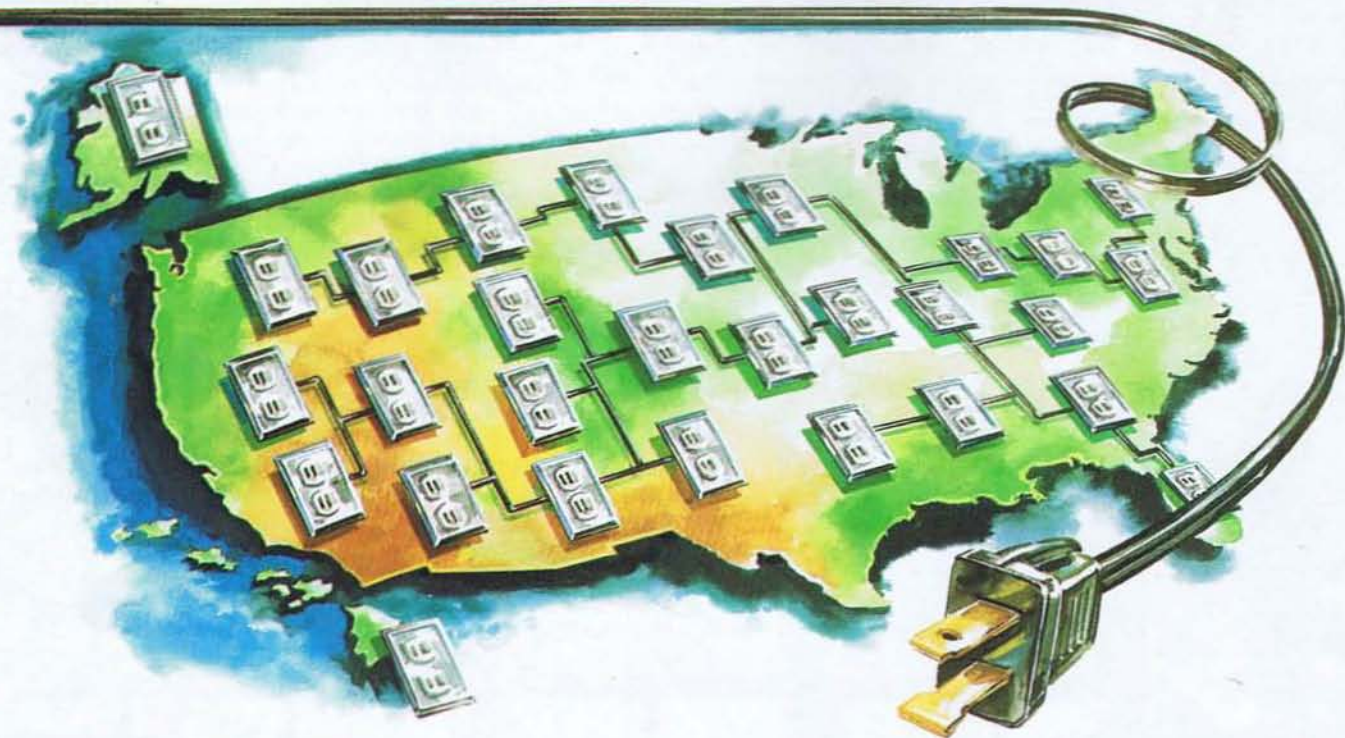


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