

# Nevada Business

the decision maker's **magazine**

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## ECONOMIC FORECAST

What lies  
ahead?



Power  
Women  
Enough Said.

Marketing  
Industry Roundtable

Nevada  
Engineers  
The Long Haul

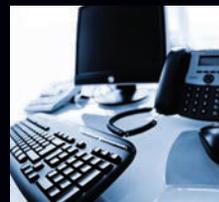
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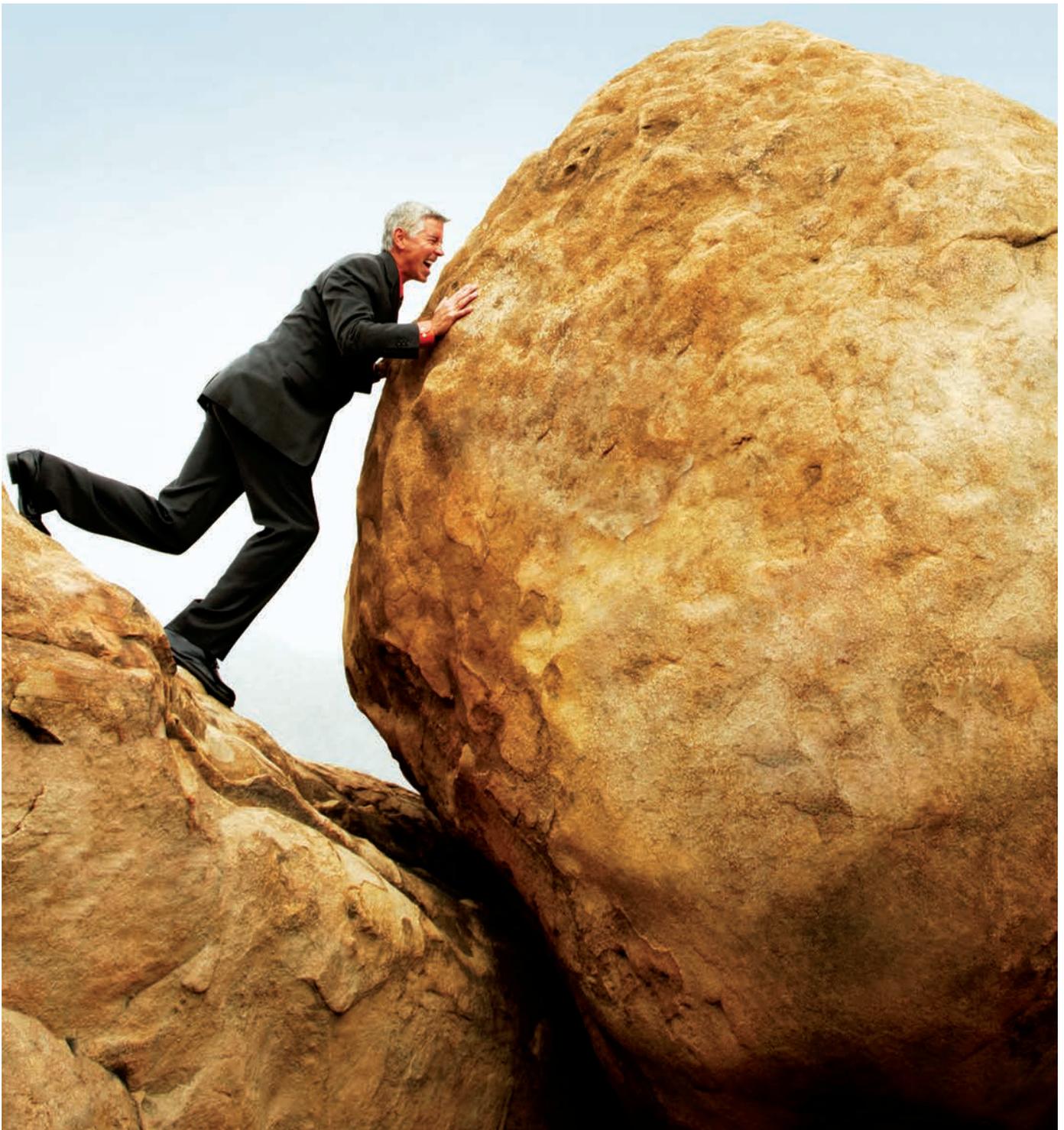
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# 'Tis the Season to Give

## Businesses Help Nevada Communities

During the holiday season it's natural to think about helping the less fortunate, but it's also a good time to point out that Nevada businesses donate all year long to make our communities better. Despite what the progressives and the liberal media would have you believe, business owners and corporations are not the Ebenezer Scrooges of today. Businesses both large and small have stepped up to help non-profit groups at a time when they need it the most. According to the Giving USA Foundation, corporate giving in the U.S. totaled \$15.29 billion in 2010, a 10.6 percent increase from 2009. And corporate executives form the backbone of most boards of directors for non-profit groups, helping with strategic planning, management advice and fundraising.

Large gaming companies like Caesars Entertainment, MGM Resorts, and Station Casinos have robust community giving programs that donate millions of dollars to local charities. In addition to corporate donations, they encourage their employees to raise funds for organizations like March of Dimes, Opportunity Village, and Salvation Army, and many of them allow employees to take paid leave when volunteering at their favorite charity. The MGM Resorts Foundation, funded by employee donations, recently made the largest-ever single company food donation to Three Square Food Bank, a total of 98 tons of food. MGM Resorts also contributed more than \$225,000 to Three Square through its corporate giving program.

Non-gaming companies are also vital community partners. Charitable giving and community donations by NV Energy in 2010 totaled \$5.4 million. Kinross Gold, like most mining companies in Nevada, continues to support a number of non-profits. The Dermody Properties Foundation, winner of a 2011 Cornerstone Award from the Reno chapter of the Association of Fundraising Professionals, donates more than \$100,000 a year to non-profits in the communities in which it does business. Cox Communications participates in Cable in the Classroom, which provides complimentary cable connections to schools, enabling them to offer quality educational programming.

Do you have to be a large corporation to contribute to your community? Of course not. Mount Wheeler Power, a small electrical co-op serving four rural Nevada counties, sponsors a program called CARE (Cooperative Assistance for Residential Energy) that helps low-income people pay their electric bills during the cold winter months. Funded partly by donations from co-op members and partly by the company itself, it provides between \$10,000 and \$15,000 worth of aid each winter. Healthcare providers, attorneys and CPA firms regularly perform pro bono work for low-income individuals in need of their professional services.

Even mom-and-pop businesses make a difference by adopting a family during the holidays, placing a food bank collection barrel at their office or shop, or sponsoring a Little League or Pop Warner team. As valued members of their communities, business owners help construct homes for Habitat for Humanity, sponsor toy drives, and participate in fundraising events for their local hospital, soup kitchen, or battered women's shelter.

Of course, community activities offer some benefits for companies. Research has shown that employee loyalty and satisfaction rise when employees participate in charitable giving programs. And donations may get favorable press coverage, which helps with public relations. But most of these charitable efforts go unrecognized, and the only benefit to the company may be the knowledge that together we are making Nevada a better place to live.

So, let me take this occasion to publicly thank all those business owners, corporate executives and rank-and-file employees who have done so much to help their communities over the past year. Thanks, Merry Christmas to all, and keep up the good work in 2012. 



Lyle E. Brennan  
Publisher

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# ECONOMIC FORECAST

By Howard Riell

## What lies ahead?

**T**he year just ending wasn't a great one but it was a better one, which is probably all Nevadans could ask of it. And the year ahead figures to be pretty much the same.

While the reasons for optimism reflect well on the state economy's inherent resiliency and strength, many of the negatives have more to do with national and international factors over which we have no control. Thus, the fate of Nevada's economy is only partly in its own hands.

"The word I use for the state's economy is swampy," says Brian Bonnenfant, Project Manager for the Center for Regional Studies at the University of Nevada, Reno. "You've got some real soft areas and some firm areas, but nothing's really rocky-stable anywhere."

The year ahead, Bonnenfant figures, may be a “real peculiar one. With the elections you’ve still got a good dose of uncertainty, plus this European debt hanging over everybody. It’s definitely going to ride through 2012, so who knows? We’re so inter-related that when anyone anywhere pops now – like Greece -- everybody tanks. Until the world gets back up on its feet we don’t know when things are going to come back. We’re in uncharted territory.”

Budget numbers for fiscal 2012, which started July 1 -- \$2.9 billion for the general fund, excluding federal and other funding sources -- are tracking ahead of the Economic Forum’s projections, reports Jeff Mohlenkamp, Director of the Department of Administration for the State of Nevada. That figure is down from the more than \$3 billion budget for fiscal 2011 because several revenue sources have been discontinued.



**Brian Bonnenfant,**  
Center for Regional Studies,  
University of Nevada, Reno

“The budget itself, obviously, is a by product of the business community,” Mohlenkamp points out. “I don’t think it necessarily drives business; business drives the budget in many respects.” Revenue to date is running “a little bit above” the Economic Forum’s projection, he adds, and should continue that way.

Indeed, Mohlenkamp continues, sales tax revenue has been up on a year-over-year basis across the state for at least 14 consecutive months, and fiscal 2011 finished well ahead of budget. “What that tells us is that business has shown some moderate improvement in activity, and we think that’s a positive note.” Gaming tax revenue has been “a bit more volatile, a bit more up and down.”

Applied Analysis, the Las Vegas-based business advisory services firm, sees the state revenue coming in above expectations in terms of both sales and gaming taxes. “I think we will beat the Economic Forum’s expectation, which will leave them with what I think is going to be a relatively healthy overage,” says Principal Analyst Jeremy Aguero. “However, the state will still have a deficit when going into 2013.”

“People are consuming,” Bonnenfant confirms. “You’re seeing visitation numbers popping in Vegas and that’s real good, although that’s not really reflecting in the gaming side, which shows there are still some limitations on how much they’re willing to spend.”

The assumption, Bonnenfant continues, was that the nation would recover before Nevada, the stampede through McCarran would resume and gaming would come

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charging back. “But as you’re seeing, the country really hasn’t recovered, and now they’re talking about a double recession in Europe, and that is going to have effects over here. I’m not saying we’re going to go into a double recession, but the uncertainty is going to keep you on the sidelines.”

Baby boomers, Bonnenfant adds, are “retiring in masses, and they have a ton of capital behind them. That is a positive on the consumption side.” Automobile sales recovered nicely over the last few months of 2011, “so there are signs that some big-ticket things are being bought.”

While spending on gaming has remained more or less flat, says Bryan Wachter, Director of Government Affairs for the Retail Association of Nevada (RAN), Nevadans are spending “significantly” more on non-gaming consumables. “I’m sure the Strip is going to love to hear that: they’re spending more on eating, on drinking, on shopping, on entertainment.”



**Jeff Mohlenkamp,**  
Department of  
Administration for the  
State of Nevada

People continue to arrive, as well. “What we’re seeing,” says Wachter, “is the population increasing here in Nevada -- not to where it was, certainly, before. But we’re seeing more out-of-state drivers license surrenders at local DMVs. We’re seeing more housing units that are connected to the power grid. And we’re starting to see a little bit of a rise in school enrollment, which is something that in the last two years we had seen a dramatic decrease. Those numbers are starting to come back.”

The state is also seeing more retirees moving here, something Wachter calls

“one of the strongest strengths that the retail sector has. Retirees, primarily Baby Boomers, are healthier, wealthier and more active than their counterparts were from the World War II era. They’re becoming a constant for the retail market.”

RAN executives say they believe that the strengthening of the consumer base for retail is something to be optimistic about. “We’re also seeing visitor spending rise,” confirms Wachter. “Not only are we seeing more people coming to Nevada, but the amount of money they’re willing to spend has increased from last year.” The restaurant sector – Nevada’s second-largest in terms of taxable retail sales volume -- are doing fairly well despite the sluggish economy.

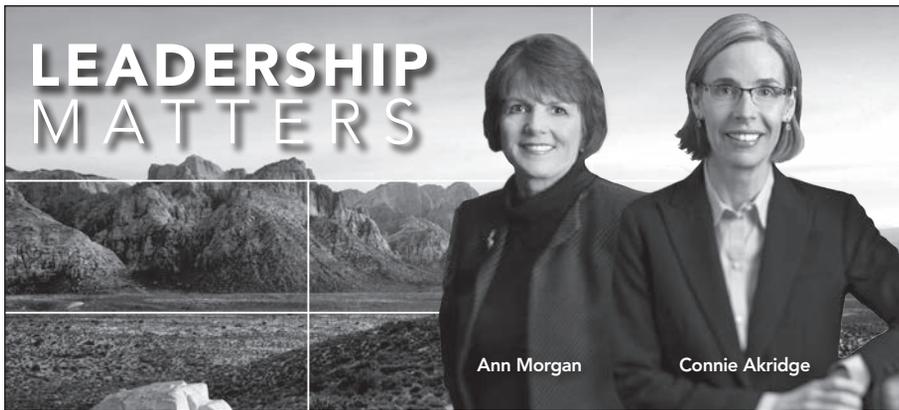
Overall, Applied Analysis looks for modest single-digit retail growth throughout most of 2012. Danger lurks, however, in the form of growing internet-based retail activity. In Nevada, online sales activity is expected to grow two to two-and-a-half times more than traditional retail. Bricks-and-mortar retailers may be seeing an improving market, cautions Applied Analysis’ Aguero, “but will likely be capturing a smaller share of that pie.”

### Reason for Optimism

The outlook for a variety of business sectors is mostly optimistic. For example:

When it comes to tourism, Aguero sees continued increases in hotel occupancy rates and average daily room rates. Gross gaming revenues should stabilize and grow at a relatively modest pace going into 2012, he adds. The convention calendar should continue to favor Southern Nevada, while gas prices will remain a crucial variable.

With international travel comprising 18% of total visitation in Southern Nevada and only slightly lower than that statewide, the political tremors and economic uncertainty in the Eurozone have Nevada officials justifiably concerned. Domestic travel continues to improve, and tourism from Mexico, Canada and Brazil remains strong.



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Joe Kelley, interim President and CEO of the Reno-Sparks Convention and Visitors Authority (RSCVA), says that the group side of business will almost certainly be weak for the first four or five months of 2012, due in part to a couple of large groups that have dropped out. Coming to town will be the Women's Bowling Championships but not the Open Championships, which is about double the size. "It's still a great piece of business, but not as large as the Open." From June the picture gets stronger, with groups like the bowling proprietors and Veterans of Foreign Wars due to arrive.

On the tourist side, Kelley says he remains just as optimistic. "As the economy continues to improve, as gradual as it is, people are wanting to take those short trips that they don't plan out for a year. We've got five-million people in the Bay Area, we have good (marketing) presence in that market and we're seeing some good things."

Indeed, tourism figures in Washoe County, primarily Reno, Sparks and North Lake Tahoe, have been up for the first several months of the year over 2010. "Of course, I don't know if that's because last year was just so bad," Kelley adds, "but we're pretty optimistic."

## Getting Back to Work

Statewide, job growth is expected, but nowhere near the scale everyone is hoping for. Employment "may be slightly better, but overall it's going to be generally flat," projects Jered McDonald, Economist for the Research and Analysis Bureau of the Nevada Department of Employment, Training and Rehabilitation (DETR). "We have seen some general trends showing improvement in leisure and hospitality and some of our tourism industries. They've kind of picked us up over the last year, and we would expect to see that trend continue into 2012."

To do better than that, McDonald says, "We would have to see a pretty



**Joe Kelley,**  
Reno-Sparks  
Convention & Visitors  
Authority (RSCVA)

good pick-up in the growth at the national level, and it would have to trickle down to Nevada." The state would also need to see its housing market turn around, which isn't expected any time soon. "Our commercial development is pretty much at a standstill, as well. We have high vacancy rates and really no need to do a lot of building in the near future. It's just going to take some time to get out of this sideways trajectory."

Aguero says he is looking for core employment (total employment less construction and government) to be up in excess of 1% in 2012. "Over the past

four months you've also had rises in construction-related employment in Southern Nevada, which we think is very material when combined with the fact that the tourism industry is adding jobs per hotel room again."

The employment scene will continue to experience fits and starts, according to Bonnenfant. "There is really no silver bullet out there. This renewable game is being grossly fed by federal stimulus money and other types of outside money, rebates and abatements. But they're looking at cutting a lot of these support systems."

The real estate picture is, well, what it is.

Housing, says the Center for Regional Studies' Bonnenfant, is "still such a mess with all the distressed properties. We've got years of inventory still to go through." Stringent new laws about how banks handle distressed properties, he adds, will slow the process down considerably.

Continues on page 34 ▷

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# SUPPORTING NEVADA'S ECONOMIC DEVELOPMENT IS AT THE TOP OF HER LIST.

Miranda Du is on a mission to promote Nevada's business-friendly climate. As a Commissioner on the Nevada Economic Development Commission, she works with other members and stakeholders to bring greater economic diversity and growth to our State.

As the head of the firm's Employment/Labor Law Group, Miranda represents management in employment disputes and assists companies in compliance related issues.

McDonald Carano Wilson lawyers have been advocates of business and economic development in Nevada since 1949. By providing the leadership needed to help re-energize our State's economy, our law firm is *Making the Case for Nevada's Future*.



**MIRANDA DU**  
Commissioner

Nevada Commission on Economic Development



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# POWER WOMEN

## Enough said.

**T**he name says it all. Nevada's Power Women are helping to shape the state and working for the betterment of our communities. They are in the trenches day in and day out with the goal of improving where we live and work. They say behind every great man is a woman; we say, behind every great state are several women. We're honored to include this year's Power Women in the following pages and we applaud their achievements for the Silver State.

# POWER WOMEN

Enough  
said.



## Marilyn S. Burrows

Senior VP & General Manager  
Cox Communications, Inc.

### **What is your area of influence?**

Cox is known for its focus on providing tremendous customer service, high impact local community engagement and ensuring a great workplace for employees. As a company officer and local system general manager, it is an honor to support my employees in delivering on those expectations for the Southern Nevada community.

### **What is your claim to fame?**

Cox Las Vegas is leading our company in operating results, which – given our economy and the competition in our industry – is something I'm very proud of our employees for, but I don't think I can make that a personal claim to fame; maybe my homemade cinnamon rolls?

### **What are you most proud of having accomplished?**

After many professional experiences - market research, working in start-ups, international M&A activity, I've found tremendous satisfaction in being an operations leader. Finding and developing talent into an effective operations team has been more satisfying than practically anything I've done. It is great to feel I've found my personal career "niche".

### **What advice would you give your daughter entering the business world?**

Be tenacious and work hard; be true to your values; don't forget the job doesn't love you back; when one door closes, a window always opens; and remember to have some fun along the way!



## Carole Fisher

President & CEO  
Nathan Adelson Hospice

### **What is your area of influence?**

End-of-life health care and public policy related to hospice and palliative care; leadership and strategic planning; creating an organizational plan that connects the financial goals of the organization to the not-for-profit mission; and developing a team of professionals and volunteers.

### **What is your claim to fame?**

My ability to apply each of my career experiences to new and challenging settings. When the economy took a turn in late 2008, with the guidance of our Board of Trustees, I had to make hard decisions for our organization without impacting the quality of care for patients. We were able to avoid layoffs of clinical staff, keep our focus on patient care, and our foundation has returned to donation levels prior to 2008. In addition, we are still able to provide \$1 million in uncompensated care annually to patients and maintain our plethora of free services.

### **What are you most proud of having accomplished?**

It's twofold: First, I am most proud of my family. My husband and I are very close with our children and grandchildren. I am also proud of leading Nathan Adelson Hospice.

### **What advice would you give your daughter entering the business world?**

I would advise my daughter, Brooke, to do several things: Know your customer and make them your number one priority; treat your employees with respect; act with integrity; always be prepared for the unexpected and when making decisions always do the right thing. And when all else fails, keep your sense of humor!

# POWER WOMEN

Enough  
said.



## Kathy Gamboa

Territory Vice President  
University of Phoenix

### What is your area of influence?

My purpose is to facilitate life-long learning opportunities. I lead an incredible team of staff, faculty, students and alumni who open doors everyday for themselves and Nevada students. We have an obligation to make education a Nevada priority and I have the privilege of joining other Nevada educators in this crucial effort. I see the future of education as a customized experience tied directly to student needs and the skills employers in the U.S. require to be globally competitive.

### What is your claim to fame?

Having a sense of humor and motivating others to deliver results, but in a fun/engaging environment where everyone feels part of the success. As a team, we engage in every interaction with a three pronged approach focused on performance, innovation and rarity to create an exceptional experience in everything we do.

### What are you most proud of having accomplished?

Creating environments that blend performance and fun. Culture is a large part of what we craft as leaders. Engagement of the team is critical to the culture at our campus and our peer driven committee provides opportunities to volunteer in the community or engage in activities such as Office Olympics.

### What advice would you give your daughter entering the business world?

Take it on! Women can do anything in the workplace and you are only limited by yourself. When it comes to removing barriers, have the confidence to move forward. The path you choose to take and the spirit to move ahead will drive you forward both personally and professionally.



## Carolyn G. Goodman

Mayor  
City of Las Vegas

### What is your area of influence?

As the mayor of Las Vegas I have the use of the bully pulpit to bring attention to issues. The city charter provides very few powers for the mayor, but I plan to be out front working to improve the quality of life for all Las Vegans.

### What is your claim to fame?

Well other than being the mayor of the fabulous city of Las Vegas, some know me from my work in founding the Meadows School in Las Vegas. We built the school from the ground up, and today it is among the top schools in the country. I also have a quiet, reserved husband that some people may know.

### What are you most proud of having accomplished?

Being elected mayor and my work with the Meadows School are right up there, but I'm probably most proud of my four children. They have all moved back to Las Vegas and have great careers and families.

### What advice would you give your daughter entering the business world?

To know what you want and then go get it. Work hard and be dedicated and treat others with respect.

Continues on page 36 ▶

# Teamwork



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## INDUSTRY FOCUS

# Marketing



Left To Right

**Solveig Thorsrud-Allen**, The Firm Public Relations and Marketing • **Brian Rouff**, Imagine Communications  
**Sarah Thornton**, Sarah Thornton P.R. • **Darcy Neighbors**, CIM Marketing Partners • **Michael Coldwell**, BRAINtrust Marketing & Communication  
**Stephanie Forte**, Forte Creative Media • **Scott Robertson**, R & W Advertising • **Holly Silvestri**, The Ferraro Group  
**Jerry Kramer**, SKG Advertising • **Paula Yakubic**, MassMedia Communications • **Melissa Warren**, Faiss, Foley, Warren Public Relations  
**Jeff Wagner**, Wagner Junker • **Stephanie Kruse**, KPS/3 Marketing & Communications

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the decision maker's magazine



**D**oing business in a rapidly changing industry, marketing executives have adapted to and embraced new technologies and communication tools. They have braved the recession and have seen increased business in the past several months. Recently, executives representing marketing firms in Nevada met at the law offices of Holland & Hart in Las Vegas to discuss this changing industry and what the future holds.

Connie Brennan, publisher of *Nevada Business Magazine*, served as moderator for the monthly event that brings leaders together to discuss issues pertinent to their professions. Following is a condensed version of the roundtable discussion.

## Do clients put marketing professionals in the same category as other professional services?

**Scott Robertson:** Absolutely not.

**Sarah Thornton:** It depends on who you ask. We did a roundtable with the public relations students at UNLV and the head of that group compared us to used car salesmen. She orga-

nized this roundtable of PR professionals and I was highly offended.

**Stephanie Kruse:** It doesn't just depend on the client but also on what they hire us to do. If we're doing branding strategy with market research on a real consultative based thing, then yes. Or crisis communications, you bet they consider us right up there. If they hire us to do an ad or publicity, then no.

**Darcy Neighbors:** I would say that we will only work with clients that see us as a partner at their level. We are seen completely at that professional level with our clients.

**Brian Rouff:** We try to do that. It's like dating; starting a new relationship. We've gone into a few client engagements where we feel that we have that level of respect going both ways and then, as soon as they sign on the dotted line, there's a lot of second-guessing. I agree that it depends on why they hire us. I think it's extremely important to set the expectations up front.

**Robertson:** I've tried to build a business on having clients and retaining them for long periods of time, instead of always getting new business because they're going out the backdoor every year. They have to trust you and they definitely have to value you. In trying times, clients are nervous. They wake up every day and look at their sales and they panic. In marketing, I like to say, you wake up every day unemployed. Literally, you've

got to go prove ROI (return on investment) every day. I don't put my dentist up for review or ask my accountant what the ROI on him is. I need him. I think marketers are made to dance and it keeps us on our toes.

**Michael Coldwell:** There's also a real cavalier attitude towards marketing because we're such a media-centered culture. Our clients are touching so much advertising and marketing on a daily basis that they feel they're on par with our expertise. I can walk into a kitchen in any restaurant, stick my thumb in the soup and tell the chef that it needs more oregano. He'll tell me to get the hell out of the kitchen. That same chef can sit in on a marketing meeting and have complete confidence to tell us, "That's good marketing; I drive by that billboard every day. We need to be up there." There seems to be a duplicity between the level of expertise we can claim as marketing experts versus other professional services.

## How competitive is the marketing industry?

**Melissa Warren:** There are now websites that you can pay \$300 to get a logo and you get options, however many you pay for. These artists will submit to you, based on the information you provide them, logos of your choosing. We had a client do that. You don't always get a quality product that way because you're putting it out to the masses. But that's the direction we're headed. It's like do-it-yourself advertising.

**Robertson:** You've got to find a client target that can pay for the services you provide. If you don't get the job or let some go, refer them to someone that can do it at the price they want.

**Jeff Wagner:** It seems that one of the problems we all face is there's too much competition and there's always someone willing to do it for less because there is less overhead, or whatever the reason is. That's a devaluation of the product in a sense. If we can create some sort of industry standard where everybody says, "It's not going to happen for that." For example, if there's a monthly retainer, it's \$5,000 period. Then clients would

start picking on merit. They would probably have more respect. In a sense, you get what you pay for. There was a year and a half period where it was really dark. You'd tell a client \$10,000 and they'd say two. You'd say ok, but suddenly, you're in a hole and you have a bad relationship. Those things kind of circulate and you take it only because you don't want someone else to get it.

## Do clients understand the difference between public relations and marketing?

**Neighbors:** I think it's a continual education process. We train them up front. It's a constant learning process and we show the advantages and benefits of each and how important it is that they work together for the greater whole.

**Coldwell:** Is there still a significant difference between public relations and advertising or has that line with branded content, advertorial and user-generated content blurred? It's just this big gray area of the media landscape.

**Solveig Thorsrud-Allen:** I think there is still a difference. We work with clients and they want to do advertising, we refer them to someone because we don't want to do that. We're getting more and more requests for us to do the advertising and I don't want to. We refer them out. On the public relations side, we try to work with clients that have a more sophisticated understanding of the difference in what they're looking for. So, for your business model, we're working more with clients on the strategy part. We don't do as much publicity day to day that we have in the past. It's more on the strategy and consulting side.

**Rouff:** We get more and more PR-only clients and that seems to be as of the last three or four years. When you talk about a retainer budget, we can do a lot better job for them as a PR client than we can for a traditional marketing client.

**Thornton:** My clients are mostly smaller business so they hire me for both. Sometimes I'll do advertising, but I don't make any money off that. They hire me for my time and my staff. So, most of the clients I have



hire me for things that it takes time to do. I try to take on clients who understand what public relations is and that we can't guarantee story placement. Shame on you if you do that. It's not right.

**Rouff:** You also have to teach them how to leverage the story so that it's not just a one day and gone.

## How has social media changed your industry?

**Wagner:** It's interesting because it's come on so fast and it's taken over all that we do. It's a big part of our business and we've had to adjust to it. It's also kind of a wild, wild west. Everybody is out there professing that it is the savior and is going to do everything. It doesn't, it's a component. I think what we're trying to do is managing client expectations. You're going to have advertising, PR and your strategy. You should have social media and a strategy behind it. Those 10,000 or 50,000 links are only as good as the program behind it. It's hard to know exactly how it's going to work unless you start dedicating a program. It is that expectation issue and the fact that they think it's free so it should be cheap for us to do it.

**Robertson:** People avoided and disliked advertising prior to social media. That's always been our challenge when people



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**Rouff:** It's not good for selling things but it's great for building relationships.

**Jerry Kramer:** Building them or hurting them? You have to monitor it because people start posting negative stuff. Other people read it and that's the most credible kind of marketing communication there is. People go to blogs, you have to manage that and watch it.

**Kruse:** I think one of the most dangerous things is calling it "new media". Television was new at one point. Everyone jumps on it like this is going to be the best thing since sliced bread. Some of our clients said, "Oh good, here's social media, we can do this for free. We're going to stop doing all these things now and focus on social media." They didn't consider it part of the mix. It was a bad decision and as much as you tried to counsel on the strategic use of channels, it was still thought of as the new savior on how to get messages to everybody. I think people more and more realize now that it's just part of something as opposed to the end-all, be-all.

**Kramer:** They need to manage it themselves. I don't think we can do it for them. I can't be your personality.

**Holly Silvestri:** It depends. I think when it comes to a Twitter campaign or a following, we can manage the company. They need to have media copied for social media avenues. When it comes to a personal approach with a CEO or something, what they're going through or dealing with, absolutely they should manage it on their own. One of the biggest challenges in social media is reaching the right audience, the audience that's following and linked to you. So many people spew out information and a lot of people don't care about it. It's a matter of getting the right audience.

**Robertson:** There's the engagement side too. One of our big clients, McDonald's, decided they don't want to do any social media on a local level. They have to pay us to do it and they're like, "You can't show me this. No one is going to buy a Big Mac at lunch because you made a joke today."

**Kruse:** A lot of companies' social media is no more engaging than their traditional advertising media. It's strategy engagement. You have to have good strategy, good content.

**Rouff:** It has to be interesting, useful, informative and entertaining. Otherwise, if it's just a pitch, people are going to tune that out the same way they tune everything out.

**Silvestri:** It has to be social and a two-way conversation. There are so many people that just put out information and don't have a conversation.

**Stephanie Forte:** We represent a ski area, but we're not in a ski town. Our skiers and snowboarders feel disconnected from one another. Social media for them is huge. It's our job to create the community and keep everybody engaged, especially through the summer. We want to keep them interested and excited.

**Paula Yakubic:** Our biggest challenge is finding people, qualified people, that can handle social media and the digital space as well. I'm finding that when I'm interviewing them, they are either, right out of college and pretty young, or they're older and come from a website kind of background. It's really hard to find people that understand social media.

## Is social media here to stay or just a fad?

**Wagner:** It's going to keep morphing. It's worked and certain industries will find that it works for them. Others will use it to communicate to friends. I don't think it's going away.

**Robertson:** You're seeing big marketers migrating back some of their budget to TV and traditional stuff. In the old days, you just outspend everybody and they're

not seeing a return on that. Even an on-line budget is a vague line item. There are companies that just create pages and they have a staff who clicks on ads to report that someone clicked on them. It's a vast wasteland of fraud online. That's got to become more targeted in demonstrating ROI or it's going to get hurt. There's a lineup of how we should spend. It will always be there but people need to realize the old tools are the strongest.

## What does the **next generation** of social media look like?

**Rouff:** It's tough to predict. Look at how quickly MySpace became irrelevant. The days of being first in is not necessarily true with social media. I'm not sure if any of us know what the next big thing is.

**Kruse:** If you're not in mobile space, you're going to be missing out, especially for certain products. But, you really have to be conscious of mobile space. Unless you have a really good reason to use them, QR codes (quick response scannable codes) tend to be a little hokey. People are starting to realize that you don't have to use everything that's new. But, if you're a consumer-based client, you'd better be thinking about mobile space in some way.

**Coldwell:** A lot of times we're asked to do social media, the client really means Facebook. How deep do we go into that sphere? Is an Instagram campaign standard operating procedure for a social media client? There's Four Square, Stamped and all those different platforms. You have to pick and choose which one is appropriate to demonstrate some ROI for that client.

**Robertson:** The term "social media" is a poor name altogether. All media, prior to it, was social. It started as a social network. I got into it because I knew it would be important to business down the road. As soon as advertising took over, which has become more and more the focus, I'm less engaged. The challenge of social media is keeping people using it. It's just another form of media.



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## How do you demonstrate ROI for clients?

**Kruse:** There have been times when a client or prospect will come to us and say, “We need advertising.” I’ll tell them, “You don’t need advertising, you need to hire a sales rep.” They need to do direct marketing to a very narrow segment. Don’t use advertising money because you’re throwing it away to reach hundreds of thousands of people you don’t need to reach. You need a direct marketing rep who knows those industries and can get to them. We’ll do sales support materials for them but that’s what they need.

**Coldwell:** In this new economy, we find that the one true way to measure ROI is to measure it against the client’s business objectives. As cynicism grows about impressions, rating points and number of friends or followers, it comes down to, what’s your occupancy and what’s your ADR (average daily rate), for the hospitality industry for example. Look at the client’s business plan and measure activities against that.

**Robertson:** You definitely have to have your client meet or exceed their sales goals for the year. You’ve got to say, how much money am I going to have to charge if I’m literally going to have someone drill down to every channel [of media]. It get’s crazy.

**Rouff:** You’re only as good as your client’s reporting process. If their recordkeeping is suspect then it’s not very helpful.

**Kruse:** The spiffy thing is, now with analytics you can implant into client’s digital space. You can put measurement in. As you pull them down, you can see how you performed.

**Silvestri:** Analytics is important but it just goes back to the basics of research, whether qualitative or quantitative. Getting research done, implementing a strategy, doing the implementation of the work and then getting results is what it goes back to. It’s the way to benchmark it. Grab a start at the beginning with a research project and at the end with a research project so you can see where you are.

**Warren:** Many clients aren’t willing to spend the dollars to do research. It’s hard enough to



get them to understand the value of marketing, advertising and PR, let alone research. I think the old adage, “Without advertising, nothing happens” is how many clients quantify ROI. They know if they don’t have a presence in the marketplace, whether PR, advertising or social media, nothing will happen.

**Robertson:** I say to myself every day, “Am I providing value?” You’ve got to look at both sides and be honest and not always presume you are providing value.

**Neighbors:** The clients that you sit down and have a strategic marketing assignment with and are on a retainer get that they have to invest, not just short term, but long term. From year to year, they see results and they can see it in the bottom line every year. The clients that have grown in the last three to four years have been amazing, to see their growth in this economy. They stayed in the game and stayed in strong and hard. If they don’t get it, we don’t even take them on.

## Do most clients have crisis communication management plans in place?

**Silvestri:** Most of our clients have it but we advise them. We even get callbacks of peo-

ple that are just hiring us to review their crisis planner or create one for them. It’s crucial, no matter what’s happening in this world and how technology and social media avenues are evolving. Everyone can have a crisis, it’s important to address it.

**Kruse:** A lot of people in certain businesses don’t think a crisis could ever happen to them. It’s up to you to give them a couple of scenarios of things that could easily happen. If they could start to imagine that, then it’s a little bit easier for them to say, “Wow, you’re right. I could get sued and oh my gosh, that would be horrible.” There could be a lot of things where you can make them understand how important it is to prepare.

## How is the marketing business doing lately?

**Rouff:** Much better. Much better this year than the last three years combined. A lot of it is just that we’ve gotten better at what we do. Some of it is because we’re playing outside the market and some of it is just that companies that have survived are jumping back into the game.

**Yakubic:** We’ve been in business for 14 years and this is our best year ever.

**Warren:** During the downturn, we didn’t skip a beat. Most of our clients were cutting back, cut back in advertising, but not PR. While 2009 was flat, 2010 and 2011 have been our best years ever. We’ve grown by 25 percent.

**Kramer:** Marketing is an area, whether you should or shouldn’t, where you can cut your budget. Even when the price goes down, clients don’t want any less service. It’s very difficult. There’s a little bit of a reset. Property values are lower, salaries are lower and we’re still in transition. We’re doing better than we did last year, but we’re not doing great. We’re doing great work.

**Roberston:** People are looking for value and they’re staying home more and they’re looking for cheaper ways. So, there are business segments that are actually booming in the recession. People want HBO because they’re not going out to the movies as much. If you’re looking to grow it behooves you to see what categories are growing. 🌿



# George J. Alexander

President-Elect of the  
Clark County Medical Society  
President, Dr. Alexander & Co.  
Las Vegas

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**Years with Company:** 13

## QA

**How did you first get into medicine?**

I was first exposed to the specialty in medical school while at Georgetown University, Washington, D.C., and became passionate about it as I progressed through my surgical training.

**What do you like most and least about your industry?**

What I like most about my profession is performing surgery and seeing my patients happy. What I like least about my profession is the health-care system bureaucracy.

**If you could be another person for a day, who would you be? Why?**

Warren Buffet because of his wit, sense of thrift and his understated persona despite his unmatched wisdom.

**If you had to choose another profession, what would it be? Why?**

Another profession that interests me is general business and investments. I find it intellectually captivating.

**What business advice would you give someone just starting in your industry?**

Stay focused on quality at all times and always do what's in the patient's best interest.

**What is the biggest challenge your industry is facing?**

There are two equally important challenges facing the plastic surgery profession. One is the negative repercussion of the global economic downturn. Second is the performance of plastic surgery operations by non-board certified plastic surgeons.

**What do you wish you would have learned at the beginning of your career?**

That by working hard and diligently you can please most people most of the time, but not all people all of the time.

**What was the toughest lesson you've learned in your career?**

That with all our advanced medical knowledge and cutting-edge technology, there are still some diseases and human conditions that cannot be fixed.

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## New Northern Nevada Company Aims to Protect Patient Information

NVMedTech, an information security company, recently launched in Northern Nevada with the focus on helping independent healthcare practitioners keep patients' health information protected. In order to help providers be compliant with new regulations, the company does a risk analysis and audit then provides a complete report with policies and compliance training as needed. 🌿

## GLVAR Reports Single-Family Home Ups & Downs

According to statistics from the Greater Las Vegas Association of Realtors, home sales are up from this time last year while home prices have continued to dip. The median price of all single-family homes sold in October was \$121,000, which is down 1.9 percent from the \$123,400 reported in September and down 9 percent from \$133,000 reported last year. 🌿

## SAY WHAT?

According to a recent Rasmussen Report survey of 1,000 adults, only 22 percent think the federal government should give states and localities \$35 billion to prevent layoffs of teachers and first responders. Additionally, 64 percent of those polled believe the best way to avoid layoffs is to cut back on other spending.

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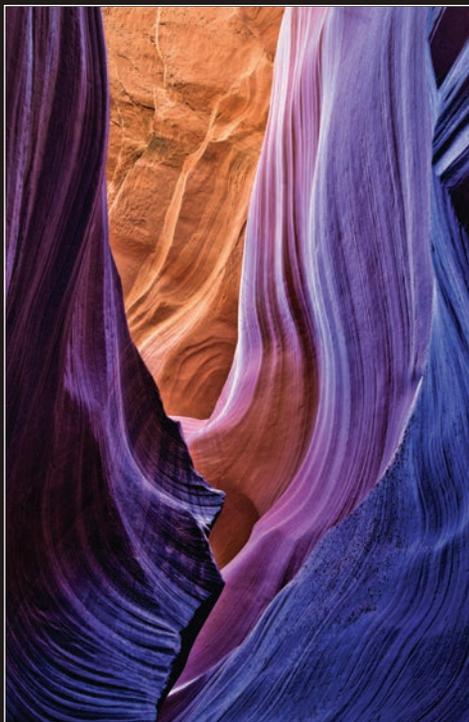
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# “Baseless” Case Merits Five and a Half Hours Before U.S. Supreme Court

**T**he U.S. Supreme Court has decided to review the case brought by 26 states challenging the constitutionality of the Patient Protection and Affordable Care Act (PPACA). Some legal commentators believe that this is the most significant case to come before the Supreme Court since *Roe v. Wade*. Underscoring the importance of the constitutional questions posed by the case, the high court ordered an unprecedented amount of time for oral arguments: five and half hours. Most parties are given an hour total to present oral arguments to the Supreme Court. This decision must have floored Nevada’s attorney general. In Catherine Cortez-Masto’s professional judgment the states’ litigation lacks any credible legal basis.

In March 2010 then-Governor Jim Gibbons requested Attorney General Cortez-Masto to represent Nevada in the lawsuit. Fourteen other states at the time had sued the federal government in federal district court contending that Congress had exceeded its constitutional authority by, among other things, mandating that U.S. citizens purchase a heavily regulated health insurance policy.

The attorney general’s letter to the governor refusing his request stated: “The [PPACA] . . . appears to be supported by Congress’ authority under the Commerce and Spending Clauses.” Never mind that the Commerce Clause had never before been employed in this way before. The attorney general pronounced, “In my professional judgment, joining the litigation filed by 14 other states, as you have suggested, is not warranted by existing law at this time.” Cortez-Masto concluded: “I will continue to monitor the litigation . . . and determine whether a credible legal argument presents itself that should require us to join the litigation at a later date.”<sup>1</sup> In other words, Nevada’s attorney general could discern no credible legal argument to support the case.

The Supreme Court’s decision not simply to review the constitutionality of the law -- now challenged by a total of 26 states -- but to schedule unprecedented oral argument profoundly speaks to the professional judgment of the attorney general. None of the lower courts considering the dozens of cases challenging law have opined that the PPACA is so clearly constitutional that any legal challenge lacked credibility under the law. And for good reason.

For the 221 years before the PPACA was enacted and since the first U.S. Congress convened in 1789, the federal government has never required U.S. citizens to purchase any product as a condi-

tion of maintaining good standing before the government. As the non-partisan Congressional Budget Office reported:

*A mandate requiring all individuals to purchase health insurance would be an unprecedented form of federal action. The government has never required people to buy any good or service as a condition of lawful residence in the United States.*<sup>2</sup>

More troubling than the attorney general’s professional judgment was her decision to ignore Nevada law and refuse the request of a sitting governor to represent Nevada’s citizens in litigation.

*Whenever the Governor directs or when, in the opinion of the Attorney General, to protect and secure the interest of the State it is necessary that a suit be commenced or defended in any federal or state court, the Attorney General shall commence the action or make the defense. – NRS 228.170(1)*

This law leaves no room for the attorney general to abandon her duty when a governor determines that Nevada’s interests must be protected and secured through litigation. If the attorney general believed that the governor had requested the commencement of truly baseless litigation, she had several options. For example, she could seek a judicial declaration of her legal obligations under the circumstances or appointment of special counsel. But one thing that the state’s chief legal and top law enforcement officer can not do is unilaterally ignore the law.

The states’ constitutional challenge is now before the U.S. Supreme Court. It is far from baseless. The case raises the most important and far-reaching constitutional issues of our time. Nevada’s top lawyer should be part of the action, not missing in action. 🌿

<sup>1</sup>Letter from Catherine Cortez-Masto to Jim Gibbons dated March 30, 2010.

<sup>2</sup>Cong. Budget Off. Memo., “The Budgetary Treatment of an Individual Mandate to Buy Health Insurance” at 1 (1994); see Cong. Research Serv., “Requiring Individuals to Obtain Health Insurance: A Constitutional Analysis” at 3 (2009)

*Mr. Hutchison serves as Special Lead Counsel for Nevada in the 26 states’ litigation challenging the constitutionality of the healthcare legislation. He is doing so on a pro bono basis.*

# Hiding Behind Opaque Numbers

## Nevada PERS accounting practices are concealing taxpayers' real liabilities.

**N**othing pleases a politician more than the ability to promise lavish benefits to important constituencies without having to pay for them. Nevada lawmakers long ago found a vote-buying cash cow of this nature in the state's Public Employees' Retirement System (PERS).

PERS manages a defined-benefits pension system that operates much differently from the retirement funds owned by most private-sector workers. Participating employers in PERS — including the state and most local governments and school districts — commit taxpayers to annual up-front contributions on behalf of each government worker.

In some cases, the employee is responsible for matching taxpayers' contributions into his or her retirement fund. But, in many cases, collective-bargaining agreements at the local level stipulate that government workers will make no personal contribution toward their retirement benefits, leaving those benefits to be funded completely by taxpayers.

In total, these contributions must equal 23.75 percent of payroll for regular government employees and 39.75 percent for police and firefighters.

PERS administrators invest these initial contributions across a spectrum of stocks, bonds and private equities in the hopes of gaining a positive return. The supposition is that the return on these investments will suffice to deliver the retirement benefits that have been promised to government workers. Over the span of a career, 80 percent of a worker's retirement would, hypothetically, result from compound interest, while direct contributions would account for only 20 percent of the pension's value.

Here's where the math gets fuzzy, however.

To meet this goal without further exploiting taxpayers, PERS must earn an annual yield on investments of at least 8 percent. Should PERS falls below this target, the value of promised retirement benefits begins outweighing the value of assets that PERS actually has on hand — producing an “unfunded liability.”

The unfunded liability is significant because, in practice, cities and counties across the nation have treated their retiree benefits as senior debt — continuing to make payments to retirees even when the municipalities have defaulted vis-à-vis bondholders. Claims to public-pension benefits are, hence, virtually “good as gold” — meaning taxpayers almost certainly will find themselves on the hook for any unfunded liability that results

from PERS' annual yield falling below 8 percent annually. In effect, taxpayers are backstopping a guaranteed investment return for government workers, even as taxpayers themselves, in their own retirement portfolios, assume the markets' risks.

So, how realistic is it to assume an 8 percent rate of return year in, year out?

Seeking to provide a definitive answer to this question, the Nevada Policy Research Institute asked Andrew Biggs — a national public-pension expert and former principal deputy commissioner at the Social Security Administration — to examine PERS' finances and accounting assumptions. In a newly released NPRI report, “Reforming Nevada's Public Employees Pension Plan,” Biggs concludes that, while an 8 percent rate of return might have been a plausible assumption in decades past, that assumption has lost its plausibility since the early 1990s.

The reason? If pension benefits are guaranteed, they should be backed up with risk-free assets or, at least, assets that have been price-adjusted to account for market risk. The quintessential risk-free financial asset is a U.S. Treasury bond and, although 30-year Treasury bond yields were in the 8-to-9 percent range in 1990, they have fallen steadily since and are near 3 percent today. Biggs concludes that it is unlikely Treasury bond yields will return to the 8 percent range in the foreseeable future and, consequently, that PERS must assume a high degree of risk in order to realize an average return of 8 percent.

Yet, PERS' actuarial assumptions do not account for the price of risk. Instead, PERS simply assumes that taxpayers will make up for the difference between its 8 percent assumption and its true yield — the unfunded liability — with higher contribution rates in the future.

Biggs shows that, when the price of risk is fully accounted for, Nevada's liability rises from the official number of \$10 billion to \$41 billion, and PERS' funding ratio falls from 70 percent to around 34 percent — meaning substantial future costs for taxpayers.

Nevada politicians have been happy to paper over this liability in the past, while promising ever greater benefits to government employee unions.

The day of reckoning, however, is coming. 

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*Geoffrey Lawrence is deputy policy director at the Nevada Policy Research Institute.*

# NEVADA ENGINEERS

By Doresa Banning

## The Long Haul

**N**evada resident David Frohnen had worked eight years as a managing principal for a global engineering firm when it laid him off in 2010 to downsize.

## David Frohnen

Principal, Frohnen Consultants and President, American Council of Engineering Companies of Nevada

He then started his own engineering firm, Frohnen Consultants, specializing in engineering and business and financial management consulting. To supplement that, he took a job with Silver State Analytical Laboratories Inc., which provides environmental, industrial, and biological testing services. He still works there today as president/owner. Also last year, Frohnen joined forces with three other local engineers and launched 91 Degrees Engineering LLC, a company with low overhead and a flexible workforce that

works job to job. Frohnen's story is emblematic of how years of a weak economy in both Nevada and the U.S. have affected one industry: private sector engineering.

"I had to scramble to replace that revenue source from multiple other part-time endeavors," Frohnen said. "I continue to struggle with that.

"The bottom line is that private sector engineers are working twice as hard now for about a quarter of the money they made three to four years ago."

### Paucity of Jobs

Many engineering firms in the Silver State have closed offices and slashed staff by as much as 80 percent at some point since 2007-2008. Wood Rodgers Inc., for example, has half the employees it did then. Some companies have closed their doors. In fact, membership of the state's trade organization for engineers, the American Council of Engineering Companies of Nevada (ACEC), has decreased by about half, said Frohnen, the group's president.

"We have to somehow turn this Nevada economy around so that we retain this pool of knowledge that we've built up over the years," said Larry Carroll, membership chair of ACEC and managing principal at Poggemeyer Design Group Inc. With 11 offices nationwide, one in Reno and another in Las Vegas, Poggemeyer provides engineering, architectural and planning services, including construction management through CM Works.

About 50 to 60 percent of the state's private sector engineers have been and remain unemployed.

"The last three to four years have been the most dramatic downturn that I've seen in 40 years," said Carroll, whose firm has reduced its team along with salaries and benefits. "We try to be a mean and lean firm," he added.

Atkins North America Inc., an international civil engineering and design consultancy with Henderson and Reno offices, too, has cut back on bonuses, pay raises, work hours and benefits and reduced overhead expenses.

"Our staff and owners are really making a significant percent less in the financial world than they were four years ago," said Wayne Horlacher, senior division manager/vice-president at Atkins and national director of ACEC. "There are people out there who are getting by on half the salary and bonuses that they saw four to five years ago."

Cutting rates too much could hurt the profession, Carroll said. "We have to be

very careful that we don't price ourselves out of business by pricing ourselves too low," he added. "We can't make this business just another commodity."

Some jobs exist, mostly in public works like energy, roadway and federal projects, but not a lot. Since 2007, the engineering and land surveying industry lost more than 3,000 jobs in Nevada alone, ACEC data showed.

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Competition for available work is “very sharp,” Carroll said. “The people who are out there practicing today are the best of the best,” he added. “Everybody is always trying to find the magic formula in a proposal or how you pursue a project.”

Some new activity, however, is taking place, albeit minimal, for instance, on the design side in the resort corridor.

“On the private side, we’re seeing some upturn. That’s encouraging,” said Mark Gookin, president-elect of ACEC and principal engineer at Wood Rodgers Inc., a regional engineering and consulting firm with its headquarters in Sacramento, Calif. and its second largest office in Reno. It no longer has offices in Carson City and Las Vegas.

### Contributing Factors

Trouble began with the downturn in the residential market, Horlacher said. Then commercial land development and construction ceased, and the recession hit. Local and



**Larry Carroll,**  
Poggemeyer Design  
Group Inc.

state agencies too have been hard hit, with declining revenues. As a result, many cut back in various ways, reducing or nixing capital improvement projects for one, which in turn impacted the availability of work for independent engineers.

“The funding for capital projects is pretty dismal, not only on the private side but also in the public sector,” Carroll said.

In some instances, county and state officials took funds allocated for capital improvements and used them instead to reduce financial shortfalls. The Nevada legislature took the \$62 million tagged for the Clean Water Coalition pipeline project, which subsequently was canceled. Design work for

infrastructure projects from local agencies like the Regional Transportation Commission of Southern Nevada has nearly disappeared. When the Bureau of Land Management sells land, a portion of the proceeds goes the Secretary of the Interior for parks, trails and capital improvements, among others. Yet, the BLM hasn’t held a substantial sale (more than 5 acres) since 2009, when it auctioned 25 acres. Rather than fund transportation projects for the usual three to six years to allow for planning and implementation, the federal government for the past few years has committed only to temporary, short-term (six months) funding resolutions.

“That left big holes in staff and funding of programs that were really long-term programs that the engineering community had been counting on and gearing up staff for,” Frohnen said.

Some local agencies are keeping work in-house rather than farming it out, to preserve their own staffs and budgets. In some cases, agencies are so shorthanded they can’t do



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what needs to be done administratively to get projects started despite the funding being available and already earmarked.

"It's extremely frustrating," Gookin said.

Unease on the part of investors also seems to be keeping the development and construction industries from picking back up more quickly.

"I think there's a tremendous amount of private money that would like to do things, but there is some uncertainty about where they're going to put that money to get a return," Carroll said.

### Leaner & Meaner

Independent engineers are doing whatever they can to survive these economic times.

"I think you have to be an astute businessman to make it through today," Carroll said. "It's not just on the marketing side but it's also how you run your business and your relationships with banking."

Pursuing work outside the state, in multiple locations, where economic conditions are better—Texas, North Dakota, Canada and the Middle East, for example—and/or bringing work into Nevada are two common strategies. Some Atkins' employees have been tackling an airport project in Jeddah, Saudi Arabia.

"When things slow down here, we tried to find work for our people elsewhere with the hope we can keep them here in this office," Horlacher said.

Nevada is losing its talented engineers to other geographic locales.

"It's tough for our students to get up to speed, it's tough for the firms to maintain that and it's tough on the public because it loses quality. It's a challenge," said Sam Palmer, vice-president of ACEC and executive vice-president and western operating group manager at Terracon Consultants Inc., an engineering group with offices in Las Vegas and Reno.

Many firms continue to reduce work hours when necessary and share work within an office more liberally to keep people busy. When projects come in, they aren't hiring anyone full-time but rather, on a part-time temporary basis, if at all.



**Wayne Horlacher,**  
Atkins

"Part of it is a confidence thing," Gookin added. "I think if there was some additional legislation that provided infrastructure

improvement, we would feel comfortable doing some of that. We don't want to make a commitment and then have to lay them off."

Some companies have expanded into additional service areas. The division Horlacher manages at Atkins primarily does engineering work related to transportation, but due to a scarcity of those jobs, it's branched out into park trails and related areas.

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**Sam Palmer,**  
 ACEC & Terracon  
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Recently the Clark County Water Reclamation District in Las Vegas accepted Statement of Qualifications submissions. Whereas in years past it would receive about 30, this time it got about 200, many from firms that generally don't do water reclamation work.

"People are stretching what they're doing beyond what they're really capable of, working outside their expertise," Palmer said. "That's actually a violation of our code of conduct."

Consolidations, acquisitions of smaller firms by larger ones and alliances, even among competitors, are happening locally in the industry as well. For instance, in October 2010, the international engineering and design company, Atkins North America Inc., acquired the national engineering, architecture and construction corporation, PBS&J.

### Much Needed Relief

In 2011, the state legislature passed Senate Bill 268, designed to give Nevada-based engineering firms preference over out-of-state ones in the selection process when they compete for public works projects here at home. The law, however, hasn't been implemented yet. Once it is, it should help the state's engineers some.

"I'd say there's a 50/50 chance we're going to get this implemented soon, and definitely in 2013 there will be another bill to clean up some of the details of implementation," Frohnen said.

Part of the federal Tax Prevention and Reconciliation Act of 2005 required federal, state and local governments with total expenditures of at least \$100 million to withhold 3 percent of certain payments to contractors and other vendors who do

business with the government to safeguard against possible business tax evasion. It was to go into effect Jan. 1, 2011 but was delayed until Jan. 1, 2012. In mid-November, however, the Senate voted unanimously to repeal the mandate and at the time *Nevada Business Magazine* went to press, the House of Representatives was expected to clear a related amended bill.

"The thought is that right now taking more money out of the private sector economy from engineers and contractors is not the right thing to do," Frohnen said. "This repeal protects the limited cash flow of small businesses and will allow them to more affordably hire people going forward."

Also beneficial is for engineers to collaborate with economic development and other organizations to instill confidence in investors about putting their money into Nevada projects, explain the cost of new construction is about one-third what it was three years ago and reassure them the state boasts many top-notch engineers.

"All of us here in the Nevada engineering community, even though we may be competitors, have to be reunited when we're trying to rebuild this economy and have a unified voice when we talk to our local, state and federal officials about increasing funding for capital improvement projects," Carroll said. 

## In Brief

The Part-Time MBA Program at the University of Nevada, Reno College of Business has been ranked number four in the country in a *BusinessWeek* report. Additionally, the schools MBA program made the *Princeton Review's Best Business Schools* guidebook for the fourth year in a row.



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◀ Continued from page 11

# 2012 Economic Outlook

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“We have about 100,000 people in the state of Nevada that we would classify as near foreclosure,” notes Aguero. “That ranks among the nation’s highest in terms of delinquency and ‘serious’ delinquency.” Clearly, the housing market isn’t finished struggling. “We don’t see anything in terms of significant upward mobility in prices.”

House prices will likely remain stable throughout 2012. Strategic default on homes brought about by, among other things, payment fatigue will continue, with many deciding they are better off walking away than continuing to pay on a severely upside down real estate asset. As for commercial real estate, the industrial vacancy rate stands at about 18%, says Aguero, with retail standing at 11% to 17%. Both figures, he adds, are at or near all-time highs, “and prices continue to fall.”

## ‘Upward Trajectory’

The march toward eventual full recovery continues.

At the state level, budget funds will continue to come from the usual suspects, gaming and sales taxes. Sales taxes are growing at a relatively health 5%-plus clip, and should continue to do so. Gaming tax is the second-largest general fund source of revenue for the state, and it has likewise seen improvements.

“Those two items, gaming and sales, make up about 50% of the state’s general fund budget,” Aguero points out, “so if those are moving in the right direction the state is probably not doing too badly.” Also expected are improvements in the modified business tax, which is the state’s payroll tax. Applied Analysis is looking for continued increases in both hours worked and average weekly wages.

“The Economic Forum was very conservative in 2011 when they made their projections on state revenue,” Wachter



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suggests. “It would be very disheartening to see the revenue not increase from what they projected. The way the indicators are looking, it appears as if the revenues are going to exceed the projections from the Economic Forum.”

“Nevada has still got a long way to go to get back to anywhere near where we were,” Mohlenkamp suggests, “but I think we’re off the bottom now and on an upward trajectory. How steep that upward trajectory is is something that is a little hard to tell.” There remain, he adds, a host of national and even international factors playing themselves out that will have significant impacts on the state’s overall financial health.

“The comparisons are favorable because 2010 was such a difficult period,” Aguero concedes. “The first half of 2011 was also a pretty difficult period, to say nothing of the fact that in 2011 you had a tsunami with nuclear implications, gas prices spiked, and there were domestic and international debt challenges, tornadoes, hurricanes and incredible snow storms all in a single year.”

The state is adding jobs, people are going back to work and consumers are consuming again, says Aguero, “but that doesn’t mean that we can sugarcoat what’s going on with our economy. We are going to remain at or near the nation’s highest in terms of bankruptcy, foreclosure and unemployment. That will be a drag. This recovery is going to be measured in years, not months.”

Nevada should, on the whole, fare better than neighboring California – admittedly, though, a more or less apples-to-oranges comparison. “California is a state that is ten times our size and provides services that are in some ways different than what the state of Nevada provide,” Aguero says. “California is going to have challenges whether the economy is growing or collapsing.”

Aguero warns rightly against painting the entire economy with a single brush. There will, of course, be sectors that will continue to struggle, construction among them. “Construction has lost

70,000 jobs over the past three and a half years. It’s only added back about 3,000 jobs from the trough to where we are today. I would temper any of my comments by noting that some of the favorable nature is due specifically to the fact that when we’re as low as we are, the bar for growth is relatively modest.”

Bottom line: it could be worse and projections are that it will get better. 🌟

## In Brief

Wells Fargo has announced that it is now the number one Small Business Administration (SBA) 7(a) lender in Nevada in regards to volume of loans. The bank made 68 SBA-guaranteed loans over a one-year time period, totaling \$22 million to small businesses in the state.

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# POWER WOMEN

Enough  
said.



## Stephanie S. Kruse

Founder & President  
KPS3 Marketing

### What is your area of influence?

There are two: I have been fortunate to be able to devote my time and also KPS3's resources to many non-profit health and human services organizations that do remarkable things for people. The second is my longstanding involvement in economic development that has created jobs and economic vitality for Nevada.

### What is your claim to fame?

I get things done. KPS3 team members, clients, business colleagues, friends, and family... all know that I get things done, even in sticky, messy, challenging, complex and controversial situations.

### What are you most proud of having accomplished?

I've been able to accomplish my own version of life balance. It's rich, diverse and enjoyable, from a successful and growing business that was created from a start-up 20 years ago, to a ton of rewarding involvement in community service, to time devoted to friends, family and fun.

### What advice would you give your daughter entering the business world?

I would tell her to choose a focus for which she has a passion, because passion will help her kindle and rekindle the fire she'll need to achieve uber-success, whatever that means for her. I'd also counsel her to "be herself"... being real is a lot more effective – and fun.



## M. Susan Martinovich

Director  
Nevada Department of Transportation

### What is your area of influence?

I have the wonderful opportunity to be closely involved in influencing transportation planning, design, construction and policy in the State of Nevada. As well as helping develop national standards and guidelines for transportation systems. I am also part of the oversight teams for funding and implementation of national research studies and products.

### What is your claim to fame?

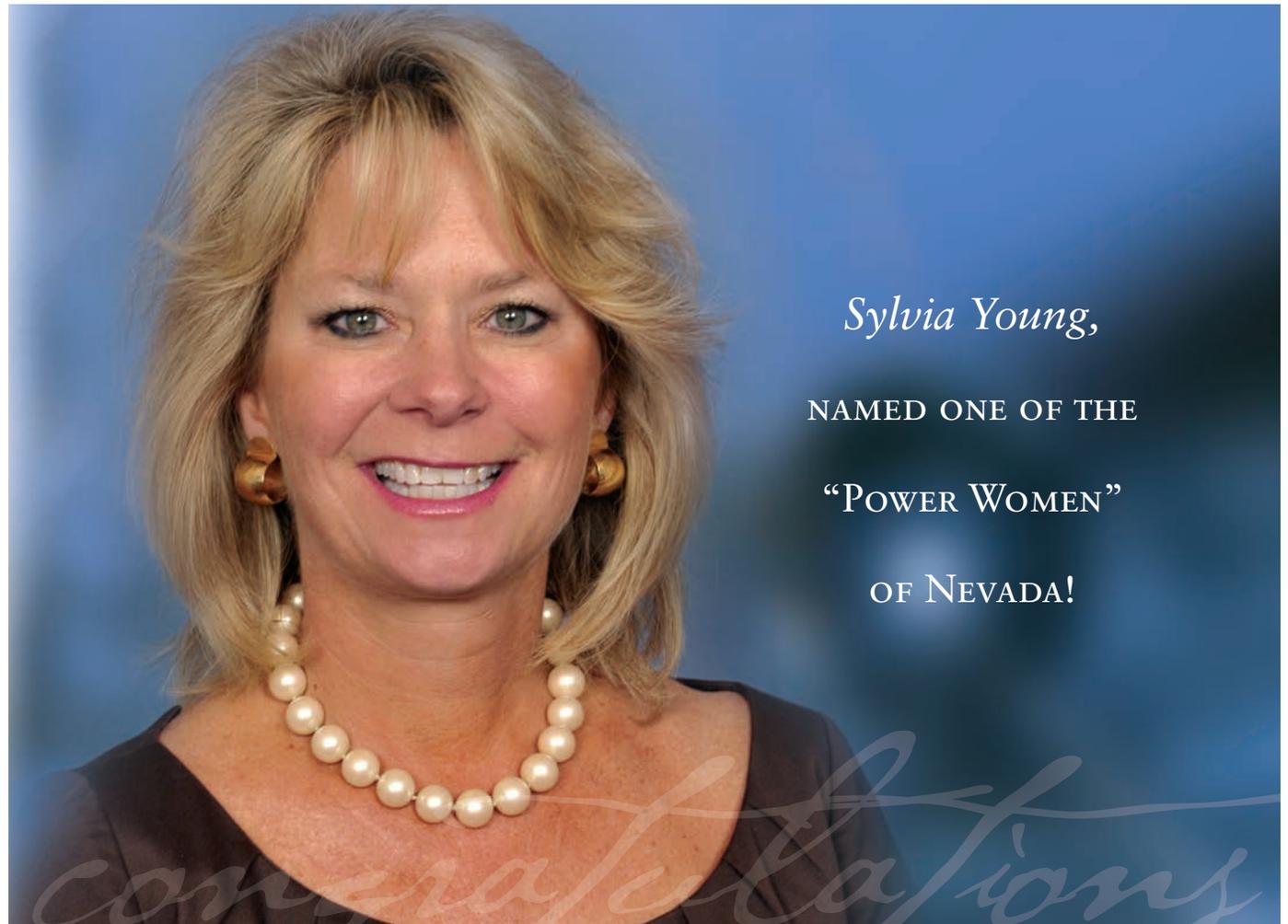
I'm the AASHTO (American Association of State Highway Transportation Officials) President from Nevada and the first female in their 97 year history. I also represented the United States as part of the United Nations safety initiative kick-off of "A Decade of Action". This is an initiative to reduce the number of world wide fatalities.

### What are you most proud of having accomplished?

Aside from raising two successful sons, I am proud of being part of the development and adoption of the Statewide Strategic Highway Safety Plan that brings all safety stakeholders together which has resulted in the reduction of fatalities in Nevada each year over the last four, to our current low. I am also proud of helping build the relationships with our transportation partners statewide.

### What advice would you give your daughter entering the business world?

Trust your instinct. Give yourself options. Smile every second you can even if you don't want to. And have fun doing whatever you do.



*Sylvia Young,*  
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# POWER WOMEN

Enough  
said.



## Pat Mulroy

General Manager  
Las Vegas Valley Water District &  
Southern Nevada Water Authority

### What is your area of influence?

Since water resources are the underpinning of everything that happens and can happen in Southern Nevada, the area we influence is relatively large. I have recently become the President of the Association of Metropolitan Water Agencies and, in that role, represent all the cities in the country on water issues that have general impact with Congress and the Administration.

### What is your claim to fame?

Within Nevada we have been on the forefront of assuring that Southern Nevada has a secure water supply despite phenomenal growth and the worst drought to hit the Colorado River system in recent times. During this period when Southern Nevada was growing exponentially there was always the fear that development would outstrip the available supply – it never happened.

### What are you most proud of having accomplished?

After over 20 years in this job it is hard to point to just one thing. So here is a quick list of the things that made the biggest impact: the creation of the Southern Nevada Water Authority, the long string of agreements on the Colorado River and the most successful urban water conservation program in the United States

### What advice would you give your daughter entering the business world?

To be herself and never try to be a man; build your future on a strong set of core values that define who you are (live those values, don't just espouse them); and most importantly realize that success always comes about as the result of a team effort - never take credit at the expense of your team because if you do, you will fail.



## Shelby Sheehan

Evening Anchor KRNV News 4  
Intermountain West  
Communications Company

### What is your area of influence?

For the last 13 years I have been working as a news reporter and anchor for KRNV News 4. In addition to anchoring the 5pm, 6pm and 11pm shows during the week, I report on issues in our community affecting children, families and education.

### What is your claim to fame?

Our audience has become very aware of News Four's commitment to focusing on the issue of bullying in our schools through a campaign called "Anchormom". For the last year and a half I have been encouraging students, parents, teachers and anyone who has ideas or stories about bullying to email me. The response has been amazing and we have been able to do dozens of news stories about bullying.

### What are you most proud of having accomplished?

I am very proud of the fact that we have helped many students and parents who felt like no one cared what was happening in our schools in regards to bullying. I think our continual coverage of the issue was part of the reason legislation was passed in Carson City to give our school districts more guidance and requirements when it comes to anti-bullying curriculum and reporting.

### What advice would you give your daughter entering the business world?

I would tell her to do something that makes her feel like she is making a difference. Use all her strengths, intelligence, creativity, determination, and confidence, but combine them with compassion and a sense of humor! There will always be parts of a job you like better than others, but make sure the good ones are the majority, at the end of the day.

# POWER WOMEN

Enough  
said.



## Debra Shwetz

Co-Founder  
Nothing Bundt Cakes

### What is your area of influence?

I am currently the Director of Development for Nothing Bundt Franchising Enterprises. Once our franchisees have signed their lease, I take them through the process of setting up their business, selecting a site for their Nothing Bundt Cakes bakery, lease review, floor plan review, construction coordination and each and every step necessary to purchase everything needed to open their doors. Then I attend and enjoy every grand opening!

### What is your claim to fame?

I'm not sure I have a claim to fame; I am very ethical in business and truly enjoy creating and sustaining relationships both personally and professionally. I simply work hard and try to do whatever I do well without any thought of fame.

### What are you most proud of having accomplished?

I am very proud of starting this business in my kitchen and watching it grow (and me with it) into a 50 unit franchise system. But I am most proud of providing the opportunity to others to experience the dream of owning their own business. I truly care about each of our franchisees and their successes and failures are mine personally.

### What advice would you give your daughter entering the business world?

My daughter is in the business world, my business world. She is our Director of Franchising and is charged with all of our franchise sales. If we could go back to before her college days, I would tell her to get a business degree, concentrate in finance, work very hard at something she is passionate about, and to ultimately own her own business.



## Sylvia Young

President Sunrise Health System  
Hospital Corporation of America (HCA)

### What is your area of influence?

As Chairman of Nevada Hospital Association, I have an avenue for patient advocacy, influencing public policy and soliciting stakeholder input on important health care issues. As CEO of Sunrise Health System, I lead an organization of passionate, talented professionals dedicated to improving the health of those we serve.

### What is your claim to fame?

I am proud to lead hospitals that have been recognized for excellence by *US News*, *Consumer Choice* and The Joint Commission for Accreditation of hospitals. I have been fortunate to mentor many young men and women who are now CEO's, COO's and CNO's; celebrating their success gives me great personal fulfillment.

### What are you most proud of having accomplished?

Being a "high wire acrobat". It's been fun and challenging balancing a demanding career as a health system executive while raising two teenage daughters, being a wife and an athlete who loves the outdoors. Professionally, I'm proud of the hospital leaders who have worked with us and gone on to lead their own hospitals across the country.

### What advice would you give your daughters entering the business world?

Work harder and smarter to differentiate yourself; plan your work, work your plan; find a mentor; never compromise your integrity; follow your gut and thank those who have helped you along the way.

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## PROJECTS

### North Las Vegas, 89030 Office

Construction is complete on North Las Vegas' new City Hall. The 210,000 SF building cost approximately \$142 million and features 3,000 SF for retail shops as well as a civic plaza which was funded by a \$6.3 million Bureau of Land Management Grant. The facility is expected to be the city's first LEED-certified building. **Whiting-Turner** served as general contractor for the project and **Michael Winters** served as architect of record. The project is located at 2250 Las Vegas Blvd North.

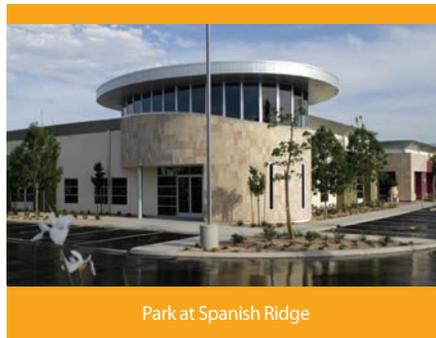
## SALES

### Henderson, 89014 Office

**ADR Holdings LLC** purchased 1,639 SF from **Warm Springs and Stephanie Office** for \$90,145 or \$55 PSF. The seller was represented by **Dana Berggren, CCIM** of **Commerce CRG**. The property is located at 1546 W. Warm Springs Rd. APN # 178-04-814-017

### Las Vegas, 89146 Office

**TRIDOC LLC** purchased 10,000 SF on 0.58 acres from **Prestige Charleston Land, LLC** for \$1.2 million or \$120 PSF. The seller was represented by **Ron McMenemy** and **Neil Dela Cruz** of **McNemey Investment Services**. The property is located at 6707 W. Charleston. APN # 163-02-102-001



Park at Spanish Ridge

### Las Vegas, 89148 Office

**Aquateck Corporation** purchased 10,278 SF in the Park at Spanish Ridge from **CML-NV SR, LLC** for \$899,325 or \$88 PSF. The buyer was represented by **Lisa Brady** of **Sun Commercial** and the seller was represented by **Ryan Martin** and **Tom and Liz Stilley** of **Colliers International**. The property is located at 8810 Spanish Ridge Ave. APN # 163-29-712-008

### Las Vegas, 89147 Retail

**Karlin Real Estate Community Center/JCPenney** purchased 120,000 SF from **Par-treo LLC** for \$4.7 million or \$39 PSF. The buyer was represented by **Nelson Tressler** and **Curt Allsop** of **Grubb & Ellis** and the seller was represented by **Dan Hubbard** and **Todd Manning** of **Commerce CRG**. The property is located at 4485 S. Grand Canyon Dr. APN # 163-19-211-004

### Las Vegas, 89147 Retail

**Pizza Hut of Las Vegas** purchased 7,000 SF on 0.51 acres from **Trop 613 LLC** for \$400,000 or \$57 PSF. The buyer was repre-

sented by **Ron McMenemy** and **Neil Dela Cruz** of **McNemey Investment Services**. The property is located at 9720 W. Tropicana Ave. APN # 163-19-816-018

### North Las Vegas, 89081 Industrial

**WC Property LLC** purchased a 56,655 SF property on 3.47 acres from **Walnut/Craig, LLC** for \$3.1 million or \$55 PSF. The buyer was represented by **Greg Tassi** of **CB Richard Ellis** and the landlord was represented by **Greg Pancirov** and **Mike De Lew**, **SIOR** of **Colliers International**. The property is located at 4450 N. Walnut Rd. APN # 140-06-610-007

### North Las Vegas, 89030 Multi-Family

**Strategic Realty Capital LLC** purchased a 160-unit apartment complex from **Kaplan Management Company** for \$4.5 million or \$28,125 per unit. The seller was represented by **Neil Sorkin** and **Scott Kendrick** of **Commerce CRG**. The property is located at 3417 E. Cheyenne Ave. APN # 139-13-514-000

### Las Vegas, 89169 Multi-Family

**Hang Chu LLC** purchased a 51-unit apartment complex from **722 North RC LLC** for \$1.5 million or \$29,412 per unit. The buyer was represented by **Geoffrey West** of **Commerce CRG**. The property is located at 722 N. Royal Crest Circle. APN # 162-15-203-001

### Reno, 89523 Multi-Family

**Mailloux Family Apartments, LLC** purchased a seven unit apartment complex from **Harmony Lake Apartments, LLC**

for \$415,000 or \$59,286 per unit. The buyer was represented by **Andre Mailloux** of **Coldwell Banker Commercial Clay & Associates**. The apartments are located at 745 Twin Lakes. APN # 400-162-15

**Las Vegas, 89118**  
**Vacant Land**

**SD Parcels LLC** purchased 31 acres from **FDIC-Community Bank of Nevada** for \$2.35 million or \$1.74 PSF. The buyer was represented by **Dean Willmore, SIOR** of **Commerce CRG** and the seller was represented by **Derek Rafie** of **CB Richard Ellis**. The property is located at Patrick and Post. APN # 162-31-201-004

**LEASES**

**Las Vegas, 89117**  
**Office**

**Face Productions – David Lee** leased 5,312 SF from **Koll/Per Canyon Plaza LLC** for \$139,599 on a 25-month lease. The landlord was represented by **Desiree Crisp** and **Bob Hawkins** of **Commerce CRG**. The property is located at 7925 W. Sahara Ave. Reported monthly rent is \$0.99 PSF.

**Las Vegas, 89123**  
**Office**

**Preferred Business Suites** leased 9,800 SF in the Scottsdale Plaza from **SREF Scottsdale Plaza, LLP** for \$357,874 on a five-year lease. The landlord was represented by **Ron McMenemy** and **Neil Dela Cruz** of **McMenemy Investment Services**. The property is located at 8860 and 8870 S. Maryland Pkwy. Reported monthly rent is \$0.61 PSF.

**Gardnerville, 89410**  
**Office**

**State of Nevada, Department of Administration** leased 5,280 SF from **Nakoma Investments LLC** for \$256,608 on three-year lease. The landlord was represented by **Gary Moreira** of **Commerce CRG**. The property is located at 1528 Highway 395. Reported monthly rent is \$1.35 PSF.

**Henderson, 89052**  
**Retail**

**The Sherwin Williams Company** leased 3,227 SF from **Eastern Properties & In-**

**vestment** for \$576,072 on a 10-year lease. The tenant as represented by **Jacqueline Young** and **Liz Clare, CCIM** of **Commerce CRG** and the landlord was represented by **Dan Coletti** of **Sun West Realty**. The property is located at 10740 S. Eastern Ave. Reported monthly rent is \$1.42 PSF.

**Las Vegas, 89119**  
**Retail**

**JP Morgan Chase National Association** leased 6,640 SF from **MCP Airport Center, LLC** for \$100,000 on a five-year lease. The landlord was represented by **Scot Marker** of **Colliers International**. The property is located at the southwest corner of Eastern and Russell. Reported monthly rent is \$0.25 PSF.

**Las Vegas, 89183**  
**Retail**

**Nancy Preston’s Class Act, Inc.** leased 4,200 SF from **Empress Group LLC** for \$131,808 on a four-year lease. The tenant was represented by **Soozi Jones Walker, CCIM, SIOR** and **Bobbi Miracle, CCIM of Commercial Executives** and the landlord was represented by **Michael Zobrist** of **Grubb & Ellis**. The property is located at 405-495 E. Silverado Ranch Blvd., Units B145 and B150. Reported monthly rent is \$0.65 PSF.

**Henderson, 89011**  
**Industrial**

**Organo Gold International** leased 51,809 SF in the Henderson Commerce Center from **Harsch Investment Properties** for \$2,422,472 on a one-year lease. The tenant was represented by **Caroline Lee** of **Pulse Realty Group LLC** and the landlord was represented by **Amy Ogden** and **Laura Hart** of **Commerce CRG**. The property is located at 7390 Eastgate Rd. Reported monthly rent is \$0.39 PSF.

**North Las Vegas, 89030**  
**Industrial**

**GBI USA LLC** leased 16,850 SF from **Alexander & Belmont LLC** for \$25,200 on a six-month lease. The tenant was represented by **Dean Willmore, SIOR** of **Commerce CRG** and the landlord was represented by **Bryan Houser** of **Albright Callister and Associates**. The property is located at 2917 E. Alexander Rd. Reported monthly rent is \$0.25 PSF.

**Henderson, 89074**  
**Industrial**

**Quest Diagnostics Inc.** leased 5,704 SF in the Pacific Business Center from **The Northwestern Mutual Life Insurance Company** for \$99,582 on a three-year lease. The landlord was represented by **Spencer Pinter** of **Colliers International**. The property is located at 1065 American Pacific Dr., Suite 130. Reported monthly rent is \$0.48 PSF.

**Las Vegas, 89109**  
**Industrial**

**Henderson Defense Industries, LLC dba MGS Holdings LLC** leased 12,000 SF from **Ditel LLC** for \$502,720 on a 10-year lease. The tenant was represented by **Brian Riffel** of **Colliers International** and the landlord was represented by **Pat Marsh, SIOR** of **Colliers International**. The property is located at 2711 S. Industrial Rd. Reported monthly rent is \$0.34 PSF.

**Las Vegas, 89115**  
**Industrial**

**1800 Pack Rat** leased 39,375 SF from **Natomas Creek LLC** for \$723,437 on a 64-month lease. The tenant was represented by **Dan Doherty, SIOR** and **Conner Faught** of **Colliers International** and the landlord was represented by **Amy Ogden** and **Dean Willmore, SIOR** of **Commerce CRG**. The property is located at 3030 N. Lamb Blvd. Reported monthly rent is \$0.29 PSF.

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**Las Vegas, 89115  
Industrial**

**Metals USA Building Products L** leased 42,240 SF from **Prologis NA3 LLC** for \$304,094 on a 29-month lease. The tenant was represented by **Amy Ogden** of **Commerce CRG** and the landlord was represented by **Dan Doherty**, **SIOR** of **Colliers International**. The property is located at 4601E. Cheyenne Ave. Reported monthly rent is \$0.27 PSF.

**Las Vegas, 89115  
Industrial**

**WAMCOM** leased 6,300 SF from **Venture Point LLC** for \$59,205 on a three-year lease. The tenant and landlord were represented by **Mel Koich**, **Joe Leavitt** and **Chris Lexis** of **Lee & Associates**. The property is located at 6272 E. Tropical Pkwy. Reported monthly rent is \$0.26 PSF.

**Las Vegas, 89118  
Industrial**

**ITC Service Group** leased 6,705 SF from **Spyglass Ventures LLC** for \$320,380 on a five-year lease. The tenant was represented by **Danielle Steffen** of **Commerce CRG** and the landlord was represented by **Joe Leavitt** of **Lee & Associates**. The property

is located at 4094 Ponderosa Way. Reported monthly rent is \$0.75 PSF.

**Las Vegas, 89118  
Industrial**

**Desoto Sales** leased 9,120 SF in the Arville Distribution Center from **Eastgroup Properties** for \$155,603 on a 38-month lease. The tenant was represented by **Patti Dillon** of **Colliers International** and the landlord was represented by **Greg Tassi** of **CB Richard Ellis**. The property is located at 5530 S. Arville St., Suite J. Reported monthly rent is \$0.44 PSF.

**Las Vegas, 89118  
Industrial**

**F. Rodgers Corporation** leased 11,310 SF in the Koll Business Center, Phase 1 from **Valley View I, II & III, LLC** for \$197,184 on a three-year lease. The tenant was represented by **Greg Tassi** of **CB Richard Ellis**. Additionally, **RCC Holdings, LLC** leased 7,390 SF in the center for \$19,045 on an eight-month lease. The landlord was represented by **Spencer Pinter** of **Colliers International** in both transactions. The properties are located at 6283 S. Valley View Blvd., Suite L and Suite G. Reported monthly rents are \$0.48 PSF and \$0.32 PSF, respectively.

**Las Vegas, 89118  
Industrial**

**EQ Environmentals** leased 10,504 SF from **Greg & Gayle Grosch** for \$284,748 on a four-year lease. The tenant was represented by **Shawn Barashy** of **Lee & Associates** and the landlord was represented by **Danielle Steffan** of **Commerce CRG**. The property is located at 5035 Schuster. Reported monthly rent is \$0.56 PSF.

**Las Vegas, 89119  
Industrial**

**Cove Electric dba Potter Electric** leased 20,909 SF in the Pama Business Center from **MBL Pama LLC** for \$352,603 on a four-year lease. The tenant and landlord were represented by **Brian Riffel** of **Colliers International**. The property is located at 1530 Pama Ln., Suite B. Reported monthly rent is \$0.35 PSF.

**Las Vegas, 89119  
Industrial**

**CBD Las Vegas, LLC** leased 10,065 SF in the Spencer and Helm Business Center from **EJM Spencer Helm Property, LLC** for \$164,280 on a three-year lease. Additionally, **Experient, Inc.** leased 5,280 SF in the center. The tenant and landlord were represented by **Spencer Pinter** of **Colliers International** in both transactions. The properties are located at 6672 Spencer St., Suite 1000 and Suite 300. Reported monthly rents are \$0.45 PSF and \$0.52 PSF, respectively.

**Las Vegas, 89128  
Industrial**

**Griffin and Nixon** leased 9,557 SF from **Koll/Brookhollow LLC** for \$183,791 on a two-year lease. The landlord was represented by **Desiree Crisp** and **Bob Hawkins** of **Commerce CRG**. The property is located at 7340 Smoke Ranch Rd. Reported monthly rent is \$0.35 PSF.

**LOANS**

**Incline Village, 89451  
Office**

**CommCap Advisors** facilitated a loan for 917 Tahoe, a professional office building. The loan was a refinance of existing debt for \$2.1 million. The loan was for a 20-year term with a 20-year amortization on a fixed-rate.

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# Office Summary

Third Quarter 2011

## Las Vegas

The office sector in the Las Vegas valley continues to show signs of weakness as approximately one fourth of total inventory remains vacant across the valley. The vacancy rate reached yet another all-time high at 25.2 percent (12.8 million square feet) by the close of the third quarter of 2011. On a year-over-year basis, the vacancy rate has increased 1.5 percentage points.

Despite relatively weak fundamentals, new office space entered the market during the quarter, pushing total inventory to 51 million square feet. Completing construction during the third quarter was the 390,000-square-foot office space built specifically for the Las Vegas Metropolitan Police Department.

More than 750,000 square feet throughout six projects remain actively under construction across the valley. Of this total, 69.4 percent consists of non-speculative government offices, including new city halls for Las Vegas and North Las Vegas. Of the 2.6 million square feet that remain in various stages of planning, nearly 800,000 square feet is from previously stalled or delayed projects.

As vacancies have continued to trend upward, pricing levels have continued to deteriorate. The market reported a 1.5-percent price decline in average asking rents during the third quarter as compared to the previous quarter (Q2 2011). Valley-wide average rents fell to \$2.00 per square foot per month, well below the pre-recession price point of \$2.33. Compared to the same period one year ago (Q3 2010), pricing remains down 4.1 percent. Effective rents remain well below these price points after accounting for concessions offered by landlords.

A supply-demand imbalance remains in the Las Vegas office market, forcing price points to levels not seen since the middle of the last decade. Until significant investments resulting in private sector job creation occur, the valley will continue to experience elevated levels of office-market vacancy.

## Reno-Sparks

The U.S. economy and labor markets start – stop momentum continues to influence the local market of Northern Nevada. Coming off a relatively positive Q2, market-wide vacancy stood still at 17.88%. The one noticeable difference quarter over quarter was the reduction in available sublease space; a sign of master leases expiring and the continuation of companies taking advantage of short term sublease opportunities at advantageous pricing. Neither way presents a fortifying net absorption gain to the local office market.

The long term and very large master leases of the home builders and associated trades that signed during the residential fizz have expired or nearing expiration. This has left those building owners with the decision to market the space in its entirety or to appeal to the Northern Nevada average tenant of 3,000 to 5,000 square feet by employing creative demising plans. Those building owners that have been proactive, such as is the case in the South Meadows submarket, have been able to redesign floor plates and back fill at market rates; an imperative strategy in today's office market, if the building owner can afford to do so.

Pockets of the Meadowood submarket, namely the Kietzke Lane corridor, and specific buildings within the Central Business District, have seen gradual gains in lease rates. Although the free rent concession continues to play its key role, starting lease rates for quality space in these areas have touched the \$2.00/sf/mos mark. Quality space in these two submarkets is limited and with no sign of new construction on the horizon, there will be instances when building owners will be able to push lease rates once again.

Overall, Class A office space averages between \$1.70 - \$1.80/sf/mos. Starting at the top, there is an approximate 20% discount between product classes throughout the Truckee Meadows.

## OFFICE

3rd Quarter 2011

TOTAL MARKET	LAS VEGAS	RENO
Total Square feet	50,490,973	7,522,928
Vacant Square Feet	11,934,415	1,345,411
Percent Vacant	23.6%	17.88%
New Construction	21,000	0
Net Absorption	68,860	4,268
Average Lease SF/MO (NNN)	\$2.09	\$1.48
Under Construction	1,063,555	0
Planned	2,869,952	0

CLASS A		
Total Square Feet	9,780,070	4,078,544
Vacant Square Feet	2,468,511	667,237
Percent Vacant	25.2%	16.36%
New Construction	0	0
Net Absorption	(22,173)	-28,587
Average Lease SF/MO (NNN)	\$2.61	\$1.64
Under Construction	665,400	0
Planned	834,838	0

CLASS B		
Total Square Feet	30,996,370	2,146,972
Vacant Square Feet	7,449,847	394,684
Percent Vacant	24.0%	18.38%
New Construction	21,000	0
Net Absorption	176,887	36,025
Average Lease SF/MO (NNN)	\$2.06	\$1.38
Under Construction	398,155	0
Planned	2,035,114	0

CLASS C		
Total Square Feet	9,714,533	1,297,412
Vacant Square Feet	2,016,057	283,490
Percent Vacant	20.8%	21.85%
New Construction	0	0
Net Absorption	(85,854)	-3,170
Average Lease SF/MO (NNN)	\$1.56	\$1.10
Under Construction	0	0
Planned	0	0

### Next Month: RETAIL

#### ABBREVIATION KEY

MGFS: Modified Gross Full-Service

SF/MO: Square Foot Per Month

NNN: Net Net Net

Southern Nevada analysis and statistics compiled by Applied Analysis, Northern Nevada analysis and statistics compiled by NAI Alliance Reno

According to initial data, U.S. real GDP grew at an annualized rate of 2.5 percent during third quarter 2011, which is up considerably from the second quarter estimate of 1.3 percent. Third quarter growth was the strongest seen since third quarter 2010, but U.S. real GDP remains 6.7 percent below potential. U.S. nonfarm employment rose by 80,000 jobs in October. The unemployment rate fell to 9.0 percent, with the U.S. Bureau of Labor Statistics household survey showing an employment gain of 277,000. With a slight improvement in the labor market, consumer confidence slipped in October, but consumer sentiment rose. Retail sales and personal consumption expenditures rose in September after strong figures in July and August. The Kansas City Financial Stress Index edged upward in October and remained above its long-run average, suggesting that financial headwinds to U.S. economic growth are continuing.

The Nevada economy continues to show signs of slow growth. Visitor volume was up in September compared to a year earlier, but total gaming revenues softened. Taxable sales in August were up by 5.7 percent above a year earlier. From August to September, Nevada saw a gain of 10,000 jobs (0.9 percent), partly as the result of seasonal gains in state and local government employment. The unemployment rate fell from 13.8 to 13.3 percent—strictly the result of seasonal factors.

The pace of economic activity in Clark County remains uneven. Compared to a year earlier, visitor volume was up by 4.7 percent in September, but total gaming revenues were down by 6.6 percent. Taxable sales for September were 3.5 percent above those for the same month a year earlier. Residential and commercial construction permits fell in September, and both remain near historically low levels. Employment in construction, leisure and hospitality, professional and business services, education and health services, and state and local government rose in September—with the latter representing a seasonal gain as teachers and professors returned to their classrooms. Total employment in the Las Vegas metropolitan area rose by 9,600 jobs. The unemployment rate fell from 14.3 to 13.6 percent—mostly the result of seasonal factors.

Washoe County's overall economic conditions appear somewhat weaker. Compared to a year earlier, September visitor volume was down by 0.8 percent, but gaming was up by 0.2 percent. Residential construction permits rose in September, but it and commercial construction permits remain near historically low levels. Largely as the result of seasonal factors, Reno-Sparks employment rose by 700 jobs in September, and the unemployment rate fell from 13.0 to 12.6 percent.

**Professor Stephen P. A. Brown, PhD**  
**UNLV Center for Business and Economic Research**

	DATE	UNITS	DATA			GROWTH		COMMENTS
			LATEST	PREVIOUS	YEAR AGO	RECENT	YEAR AGO	
<b>Nevada</b>								
<b>Employment</b>	2011M9	000 employees	1,122.0	1,112.0	1,115.0	0.9%	0.6%	New Jobs
<b>Unemployment Rate*</b>	2011M9	%, NSA	13.3	13.8	15.1	-0.5%	-1.8%	Improving
<b>Taxable Sales</b>	2011M8	\$billion	3.410	3.392	3.225	0.5%	5.7%	Up
<b>Gaming Revenue</b>	2011M9	\$million	863.95	886.86	917.86	-2.6%	-5.9%	Down
<b>Passengers</b>	2011M9	passengers	3,930	4,054	3,647	-3.0%	7.8%	Up Over Year Ago
<b>Gasoline Sales</b>	2011M8	million gallons	96.68	95.73	99.37	1.0%	-2.7%	Down Year Ago
<b>Visitor Volume</b>	2011M9	million visitors	4.156	4.182	3.993	-0.6%	4.1%	Up Over Year Ago
<b>Clark County</b>								
<b>Employment</b>	2011M9	000 employees	806.0	796.4	798.0	1.2%	1.0%	New Jobs
<b>Unemployment Rate*</b>	2011M9	%, NSA	13.6	14.3	15.6	-0.7%	-2.0%	Improving
<b>Taxable Sales</b>	2011M8	\$billion	2.406	2.410	2.324	-0.2%	3.5%	Up Over Year Ago
<b>Gaming Revenue</b>	2011M9	\$million	733.65	752.24	785.71	-2.5%	-6.6%	Down
<b>Residential Permits</b>	2011M9	units permitted	323	388	244	-16.8%	32.4%	Weak
<b>Commercial Permits</b>	2011M9	permits	13	27	22	-51.9%	-40.9%	Little Activity
<b>Passengers</b>	2011M9	million persons	3,615	3,688	3,337	-2.0%	8.4%	Up Over Year Ago
<b>Gasoline Sales</b>	2011M8	million gallons	64.80	64.62	65.87	0.3%	-1.6%	Down Year Ago
<b>Visitor Volume</b>	2011M9	million visitors	3.541	3.564	3.383	-0.6%	4.7%	Up Over Year Ago
<b>Washoe County</b>								
<b>Employment **</b>	2011M9	000 employees	187.9	187.2	191.0	0.4%	-1.6%	Recent Growth
<b>Unemployment Rate*</b>	2011M9	%, NSA	12.6	13.0	13.9	-0.4%	-1.3%	Slight Improvement
<b>Taxable Sales</b>	2011M8	\$billion	0.469	0.464	0.459	1.0%	2.1%	Up
<b>Gaming Revenue</b>	2011M9	\$million	68.46	64.76	68.30	5.7%	0.2%	Recent Gains
<b>Residential Permits</b>	2011M9	units permitted	45	42	29	7.1%	55.2%	Improving
<b>Commercial Permits</b>	2011M9	permits	8	13	12	-38.5%	-33.3%	Little Activity
<b>Passengers</b>	2011M9	million persons	0.311	0.361	0.306	-13.9%	1.6%	Down Recently
<b>Gasoline Sales</b>	2011M8	million gallons	15.47	15.05	15.43	2.8%	0.3%	Little Change
<b>Visitor Volume</b>	2011M9	million visitors	0.417	0.419	0.421	-0.6%	-0.8%	Down Slightly
<b>United States</b>								
<b>Employment</b>	2011M10	million, SA	131.516	131.436	130.015	0.1%	1.2%	Some Improvement
<b>Unemployment Rate</b>	2011M10	%, SA	9.0	9.1	9.7	-0.1%	-0.7%	Some Improvement
<b>Consumer Price Index</b>	2011M9	82-84=100, NSA	227.0	226.3	218.4	0.3%	3.9%	Food and Energy Costs
<b>Core CPI</b>	2011M9	82-84=100, NSA	226.1	226.0	221.8	0.1%	2.0%	Rising
<b>Employment Cost Index</b>	2011Q3	89.06=100, SA	114.2	113.8	112.3	0.4%	1.7%	Up Slightly
<b>Productivity Index</b>	2011Q3	2005=100, SA	111.1	110.4	110.3	0.7%	0.8%	Improved
<b>Retail Sales Growth</b>	2011M9	\$billion, SA	395.472	391.038	366.371	1.1%	7.9%	Up
<b>Auto and Truck Sales</b>	2011M10	million, SA	13.21	13.05	12.14	1.2%	8.8%	Up Strong
<b>Housing Starts</b>	2011M9	million, SA	0.658	0.572	0.597	15.0%	10.2%	Up Strong
<b>Real GDP Growth***</b>	2011Q3	2000\$billion, SA	13,352.8	13,271.8	13,139.6	2.5%	1.6%	Up
<b>U.S. Dollar</b>	2011M10	97.01=100	98.903	97.989	98.840	0.9%	0.1%	Slight Improvement
<b>Trade Balance</b>	2011M9	\$billion, SA	-43.107	-44.919	-44.013	-4.0%	-2.1%	Improving
<b>S and P 500</b>	2011M10	monthly close	1,253.30	1,131.42	1,183.26	10.8%	5.9%	Good Month
<b>Real Short-term Rates*</b>	2011M10	%, NSA	-3.18	-3.29	-2.57	0.1%	-0.7%	Extremely Low
<b>Treasury Yield Spread</b>	2011M10	%, NSA	2.13	1.97	2.41	8.1%	-11.6%	Recent Increase

\*Change in percentage rate, \*\*Reflects the Reno-Sparks MSA which includes Washoe and Storey Counties, \*\*\*Recent growth is an annualized rate

Sources: Nevada Department of Taxation; Nevada Department of Employment, Training, and Rehabilitation; UNR Bureau of Business and Economic Research; UNLV Center for Business and Economic Research; McCarran International Airport; Reno/Tahoe International Airport; Las Vegas Convention and Visitors Authority; Reno-Sparks Convention and Visitors Authority; U.S. Department of Commerce; U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Federal Reserve Bank.

Note: NSA = Not Seasonally Adjusted, SA = Seasonally Adjusted

# What are your hopes for the New Year?

“My hope for the New Year is that the thousands of families in this community with mothers and fathers that are willing and able to work find jobs. I also hope that our state legislators and governor strive to find common ground working for the future of this great state and put aside their personal agendas.”



**Bob Anderson** · Partner, Holland & Hart



**John Lennon** · President, XYIENCE

“An improving employment picture combined with an improving national economy. That will go a long way toward solving our social and political problems.”

“The last three years in Las Vegas have been tough. But Las Vegas is a city filled with dreamers - people who set trends that the rest of the world follows. My hope for the New Year is that we continue to follow our dreams because that is where the future is.”



**Zoe Thrall** · Director Studio at the Palms



**Joey Vanas** · Managing Partner, First Friday Las Vegas

“I hope that in 2012 the world will experience an unprecedented shift in mentality from competition and globalization to cooperation and symbiosis, and that this shift will cause a fundamental change in the way we as human beings communicate and interact with each other.”

“I hope the New Year engages Americans to reconnect our youth to the history and culture that built our great country; demonstrating the strength of our nation’s diversity. Secondly, educating Americans on the benefits of a grassroots approach to business and lifestyle will enable local employment and a healthy economy.”



**Bob Margison** · Owner, Allstate Exclusive Agency



**Richard Jost** · Stockholder, Jones Vargas

“No offense intended toward the bankruptcy lawyers in Nevada, but my hope for the New Year is that our economy improves and that people who have been without jobs this year are all working next year.”



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# Carrie used her degree to transform an at-risk school.

What would you do with a degree?

**Carrie Buck**, Class of 1999  
*Elementary School Principal*

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