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Playing Politics with Education

Teachers Union Throws Students under the Bus

Nevadans will find out this month whether the Clark County School District (CCSD) qualifies for a \$40 million grant from the federal government's "Race to the Top" program. The money would provide high-tech tools and programs at 63 schools to help 41,000 students with limited English skills. It would fund 46 new jobs for teachers and support staff, as well as expanded teacher training. In a district where a large number of students don't speak proficient English, this money could make a big difference in helping our kids succeed in school.

So, did the local teachers union (Clark County Education Association) work together with school district management to make sure we had the best chance of getting this grant money? No. In fact, the union did everything possible to sabotage the district's efforts, and it took intervention by the governor to get the grant package completed before the federal deadline.

The Obama administration set the scene for this confrontation by effectively giving teachers unions veto power over the grant application process in their districts. The rules state that the local union must be given a full and equal role in preparing a district's application. Why was the grant process set up this way? It should be clear to anyone that despite fancy titles like "Education Association," the teachers union seems to be more concerned with job security, salary increases and benefits than it is with education. Yet the Progressives in Obama's Department of Education made sure to look out for the interests of their union cronies in setting up the grant process.

In order to comply with the federal rules, CCSD invited the union to participate in drawing up the grant application, but they refused to cooperate. The union bosses insisted that the district "had not engaged in any genuine attempts at collaboration," despite the fact they were asked seven times between July and October to participate. The real reason may have been their ongoing feud with the school district over salaries and benefits. When warned by CCSD last year that fulfilling their salary demands would force the cash-strapped district to lay off 1,000 teachers, the union dug in their heels. They were upheld in the courts and nearly 1,000 teachers were laid off. Now that they are in arbitration for the next contract, the union suspended all joint ventures with CCSD in March 2012 in what district spokesperson Amanda Fulkerson called "vendetta politics."

Despite the union's refusal to cooperate, more than 1,600 teachers acting on their own attended stakeholder meetings to help in drawing up the grant application. These teachers cared enough about their students to ask for financial help for them, even if it meant opposing the union bosses who were trying to use \$40 million worth of leverage to get what they wanted in future negotiations. As the final deadline approached, Governor Sandoval volunteered to mediate between the two parties to get the deal done, and the contract application was sent off to the Department of Education with just a few hours to spare.

Several lessons can be learned from this sad example of extreme self-interest. First and foremost, it was a mistake for the federal government to give union bosses the power to hold the district hostage, which is exactly what happened. Politics should have no place in deciding who deserves to get money for education. Secondly, the teachers union leaders have demonstrated once and for all that they care more about their own power than about the children in Southern Nevada's schools. The good news is that there are many dedicated teachers willing to fight for the students in their care. They are the ones who deserve our support.



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Find out from Tony Hsieh, CEO of Zappos.com

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Getting It Done

The 2013 Legislative Session



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DEPARTMENTS

- 4 **Commentary** • Lyle Brennan
- 24 **Around the State**
- 23 **Speaking for Nevada** • Frank Woodbeck
Opportunity At Work
- 26 **Power of Attorney** • Robert C. Ryan & Jerry M. Snyder
Deriving Value from Patents
- 27 **Profit & Loss** • Phil Jemmett
Delayed Debt Restructuring Experts Downward
Pressure on Nevada Commercial Real Estate
- 28 **Free Market Watch** • Geoffrey Lawrence
Let's quit killing jobs in the Silver State
- 39 **Face to Face** • Brooke R. Thompson
- 44 **Commercial RE Report | Office**
- 45 **Business Indicators**
- 46 **The Last Word**
What is your favorite holiday tradition?

FEATURES

- 12 **2013 Economic Forecast** • Doreesa Banning
Watch for the Wild Card
- 17 **Industry Focus: Accountants**
- 32 **Building Nevada: Filmmaking In Nevada** • Howard Riell
An Epic Without an Ending
- 40 **ReD Report**
Tracking Nevada's Deals

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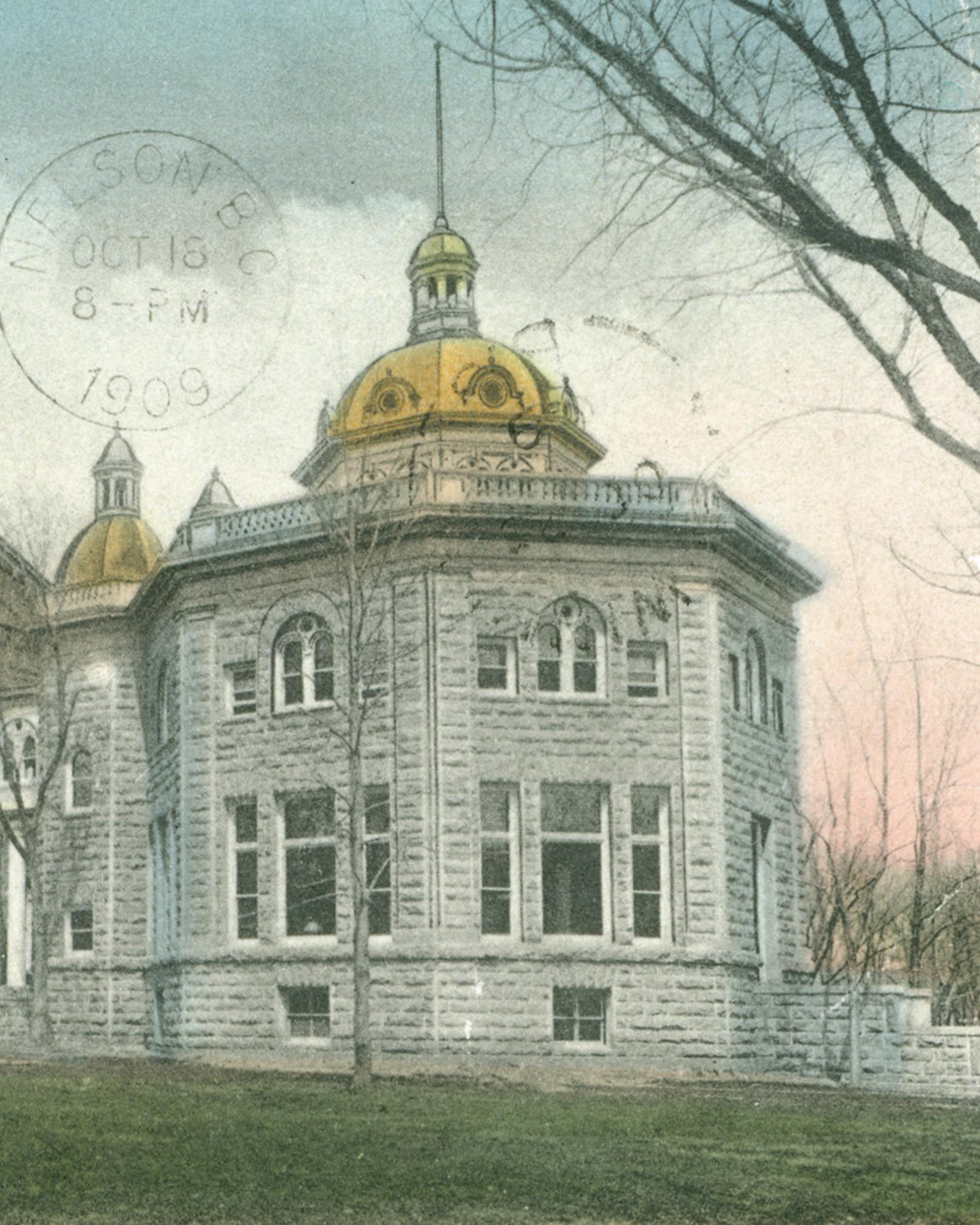
Getting It Done



The 2013 Legislative Session

By Jennifer Rachel Baumer

The 77th regular legislative session starts in Carson City on February 4, 2013. What major issues will be coming down the pipeline in 2013? How will issues discussed and laws passed in the upcoming session affect Nevada in the future? What part will a freshman Legislature play and what challenges will lawmakers face?



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The Budget

One of the biggest issues facing every legislature is the budget and the 2013 session will be no exception. The details of the budget Governor Sandoval will present to the Legislature won't be finalized until after the Economic Forum in December, but the Governor has already indicated he's against any new taxes. He intends to renew the sunset taxes scheduled to end June 30, 2013; then the question becomes whether the revenue projected by the economic forum will allow for discussion about modifying the sunsets.

"That being said, there will be a number of legislators that will want to expand the budget, and you'll have a number of enhancements that I expect will lead to the discussion about the tax structure of the state," said Carole Vilardo, president, Nevada Taxpayers Association. Vilardo

has been the state's foremost authority on tax issues for several years and understands the ins- and outs- of Carson City.

"Obviously revenue always plays a key role, although the economy appears to be headed in the right direction," said Michael Sullivan, vice president of state government affairs, Porter Gordon Silver Communications. Still, gaming is lagging behind in the state's recovery, and taxable sales of homes and the like are moving slowly, with the upshot being the flat budget submitted by the Governor in October, with no increases, during a time when there are demands for funding education. "So that certainly will be an interesting process to whether or not with a recession you put more money into education. Where do you find that money? No doubt there will be those discussions," said Sullivan.

Among other budget considerations are questions as to whether Nevada can afford to expand the Medicaid provisions, and discussions regarding state employee salaries.

"Obviously you can either keep spending into the amounts that you're showing revenue having been received including the extension of the sunsets, or you can wind up looking to increase the revenue so you can expand the expenditures and that's where I see one of the biggest issues that will dominate the Legislative session



Michael Sullivan
Porter Gordon Silver
Communications

and one we'll be watching very closely," said Vilardo.

In addition to traditional education funding comes the question of what the state can afford not to do when it comes to technology requirements for schools.

If schools, particularly those working with English learners, are going to use technology to teach, the technology has to be available, and that's not traditionally built into the base, said Vilardo. "Interim committees have had discussions about putting in additional funds or changing the formula to address the issue of students who are English learners, but if technology is going to be employed and the schools don't have enough computers, then there need to be upgrades – and is that something the state can afford not to fund?"

Education reform is expected to be discussed during the session, with a new formula proposed for funding higher education that would allow the University and community colleges system to keep more of the funding they generate themselves. "Ultimately the theory behind that is to get more sustainability into the system. Like anything new, there's going to be significant debate," said Alfredo Alonso, principal, Lewis and Roca.

Budget discussions are a given for any session. Vilardo, putting together the NTA newsletter, pulled a series of quotes from newsletters as far back as 1922 that are still appropriate today. From 1995: Policy makers must continue to rethink and restructure government services and their delivery to achieve the highest level of efficiency and quality possible while stabilizing the expenditures of the state.

"The issue is stabilizing expenditures, when we usually talk about stabilizing the revenue," Vilardo said. "But stabilizing expenditures and being able to show that the level of expenditure you are proposing is something that you've looked at to see if you should be able to continue to support for five or six years down the road is what we're looking at in stabilizing expenditures."

With new faces in the Legislature, Vilardo expects a push-pull situation be-

tween advocates for putting money back into the budget for services and programs cut in 2011 and those who don't want to see a substantial increase in revenue. Those against budget increases are afraid it will exacerbate the economic situation because funds put into programs in the 77th session may not be sustainable.

Other budget considerations are apt to include frozen or cut back state employee positions and salaries. State employee pay cuts in 2011 were 2.5 percent. Issues related to state employee salaries are expected to crop up in the next session because state revenue isn't meeting growth.

Freshman Year

"I think it will be a difficult session. Part of that is because we will have a number of new legislators. With term limits creating that vacuum on institutional knowledge, it also created new legislators, and a very steep learning curve as to what the process is," said Vilardo.

The Nevada Legislature had 22 vacant seats filled in the November election, and 19 filled in the last election, making for a very new legislature.

"Due to term limits and significant turnover, half of the Senate will be new members to that body," said Greg Ferraro, president and founder, The Ferraro Group. That doesn't mean everyone will be brand new – five members moved up from the Assembly and one member returns after a break in service – but 10 new faces will fill seats in the 21-seat Senate. Similar turnover will happen in the Assembly, 10 or more new members out of 42.

"We've got three or four people between last time and this time who moved from one house to another, so there is some knowledge there, but a brand new legislator has a very steep learning curve for issues they're going to be dealing with," said Vilardo.

In addition, some of the major committees will be chaired by freshmen legislators.

"At this moment I can't think of one committee that will stay the same," said Sullivan. "All the major committees will have new chairs and that's very, very important because you have no continuity of leadership."

There's only 120 days for new legislators to get up to speed. Six of the incoming senators are former assemblymen or returning to service, but many in the Assembly will

be first time public servants, Sullivan said. "For businesses and people it's a negative, just because the less experience you have, the more it takes to get up to speed. So, in that sense it will probably be an issue, but it might also mean some issues that have not been brought up before will get brought up because those legislators are new."

Continues on page 30 ▷



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2013 ECONOMIC FORECAST

WATCH FOR THE WILD CARD

By Doresa Banning

As the end of 2012 nears, Nevada's economy continues its gradual recovery, but the unemployment rate remains in the double digits and job creation is slow. What's in store for the Silver State's economy in 2013? Experts weighed in on their predictions for the coming year, which primarily are based on the performance of certain indicators this year. However, they said none of their forecasts is certain, as a handful of wild cards will be in play.





Bill Anderson
Nevada Department of
Employment, Training and
Rehabilitation

Increases over time of certain market measures indicate the overall economy currently is doing well, said Bill Anderson, Nevada's chief economist, with the Department of Employment, Training and Rehabilitation. Taxable sales, gaming revenues, visitor volumes, export activity and the number of employers participating in the unemployment insurance system all have been, on average, trending upward. The number of jobs has been increasing consistently, but slowly.

"It just hasn't translated into real noticeable improvement in the state's labor markets," he added.

Anderson said he expects more of the same for Nevada's economy in 2013 with consistent job growth, assuming the U.S. economy keeps moving in a positive direction.

"The not so good news is we'll likely continue seeing this modest rate of improvement," he added.

While Nevada won't be returning anytime soon to the degree of growth it experienced between 2000 and 2007, the incremental improvements in its economy are positive, said Dr. Stephen Brown, professor of economics and director of The Center for Business and Economic Research at the University of Nevada, Las Vegas, which collects, analyzes and disseminates data on Nevada's businesses and economy.

External factors that could affect Nevada's economy include the looming fiscal cliff, the Affordable Health Care Act, additional taxes, economic performance nationally and in Europe and China and outcomes of the ensuing Nevada legislative session. Uncertainty surrounding these issues is causing many Nevada companies, particularly the mom-and-



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pop enterprises, to take a wait-and-see approach before hiring and deploying any capital, Brown said.

“There are a lot of uncertainties at the global, national and state levels. We have a witch’s brew going,” said Brian Bonnenfant, who predicted 2013’s economy will be “dichotomous.” “There is still reason to be optimistic about ’13.” Bonnenfant is the project manager at the University of Nevada, Reno’s Center for Regional Studies, which provides data and market analyses designed to help a business select a location for operations, understand current market trends and predict where the local economy is headed.

Employment

Nevada is on pace, by the end of 2012, to have added 25,000 new jobs since the start of 2011. About 12,000 more jobs are forecasted to come online, with the unemployment rate dropping to about 10.6



Stephen Brown
Center for Business and Economic Research, UNLV

percent in 2013, Anderson said.

According to the W.P. Carey School of Business’ “Western Blue Chip Economic Forecast,” employment in Nevada is predicted to grow by about 1.2 percent next year.

Brown said, however, it’s likely Nevada could see further weakening in jobs creation. “I’m hopeful that we’ll do better, but I don’t see anything driving that right now,” he added.

Bonnenfant said he doesn’t anticipate much job creation in the state until the Nevada legislative session ends and some federal issues get resolved, affording businesses a better idea of what taxes

and other expenses they’ll be mandated to pay.

“We really have not hit the very bottom until we start increasing on the job front,” he said.

Sectors that have driven job growth and will continue to do so include hospitality, trade, health care, transportation and utilities, and professional and business services. The weaker ones—construction and the public sector—likely will remain that way.

Nevada’s gold-producing areas should continue to thrive as long as the price of gold remains high. “I see that continuing well into 2014,” Brown said.

Tourism, Gaming

Overall, visitor volumes and gross gaming revenue in Nevada are forecasted to increase in 2013, by 1.8 percent and 2.5 percent, respectively, according to the “Western Blue Chip Economic Forecast.”

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ECONOMIC OUTLOOK

Most of that growth should come from the south.

Southern Nevada's visitor volumes and gaming revenues are up from two years ago and should keep increasing, Brown said, unless the U.S. falls into another recession.

"I think we'll see increased visitation," he added. "A lot of it will depend upon how strong the Southern California economy is and how strong the U.S. economy is."

Bonnenfant said he expects the national economy to continue to improve, which will help the state's tourism and gaming industry, particularly in Las Vegas.

This year, Las Vegas hotel rates have started to rise and some of the tourism has shifted to other parts of Clark County, Brown said.

"I think that will probably continue because the visitor volume is keeping the hotel rooms pretty busy in Las Vegas," he added.

Compared to its southern counterpart, recovery of Northern Nevada's tourism and gaming industry isn't expected to be as strong.

In terms of gaming, Brown said he expects those revenues to continue dropping. Bonnenfant said he expects the losses, which slowly have been shrinking, to stabilize in 2013. "Pretty much the casinos are fighting over a local pie," he said.

As far as tourism, Chris Baum, president and CEO of the Reno-Sparks Convention and Visitors Authority (RSCVA), is "cautiously optimistic" 2013 is going to be a stronger year based on the conferences and meetings booked (many of them sports competitions), the area's special events and the organization's revamped marketing approach.

"I see a lot of positives," he said. "I see a lot of business on the books that is good. I see a lot of potential for more recovery of the different categories that are important."

If the region gets a lot of snow this winter, that will bolster visitor rates and tourism revenues.

The RSCVA has shifted its mindset and efforts to selling Northern Nevada as



Brian Bonnenfant
UNR Center for
Regional Studies

a four-season, resort destination offering a slew of activities rather than as a gaming destination. It plans to continue next year its "What's Your Passion" campaign, continue its emphasis on meetings and conventions and continue capitalizing on its three-year commitment to being a strategic sponsor for the American Society of Association Executives, all of which have proven successful, Baum said.

Economic Development

In 2013, the Nevada Governor's Office of Economic Development (GOED) will

continue its efforts to target and expand seven key sectors in the Silver State: tourism, gaming and entertainment; clean energy; health and medical services; aerospace and defense; mining, materials and manufacturing; business IT ecosystems; and logistics and operations. It also aims to continue its focus on intangibles and financial enterprises. GOED, too, will work on retaining the companies already here.

Other specific developments potentially could contribute to Nevada's economy, Bonnenfant said. For example, Apple is building a new data center (construction has begun) along with a business and purchasing facility in Reno. It's estimated this additional business will generate 235 new local jobs and Apple will invest \$1 billion in the region over the next 10 years (\$400 million in the first four years of the data center's operation).

Continues on page 37 ▷

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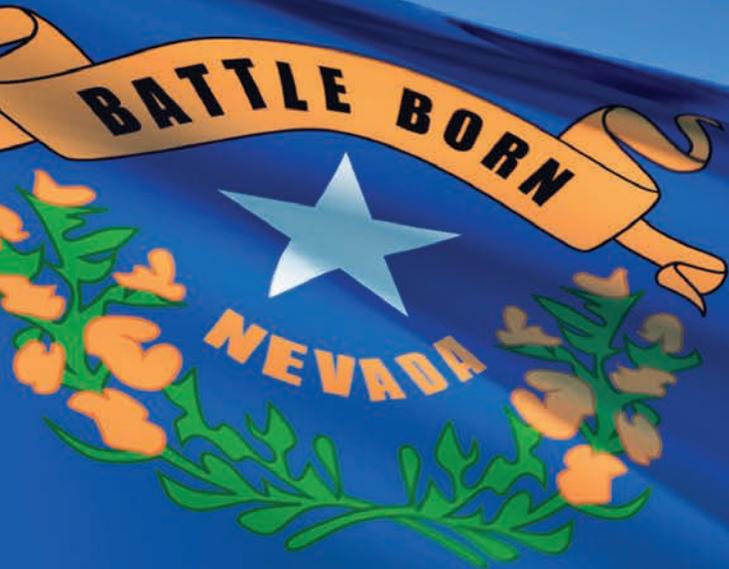
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With taxes a hot topic nationally and over concerns with what the new year will bring for businesses, accountants have their hands full keeping up with new requirements and changing laws. However, working to service clients in a dwindling economy and finding new ways to diversify is nothing new to the industry and CPA's across the state are rising to the challenge. Recently, executives representing accounting firms in Nevada met at the Las Vegas offices of Holland and Hart to discuss these issues and what the future will bring.

Connie Brennan, publisher of *Nevada Business Magazine*, served as moderator for the event. These monthly meetings are designed to bring leaders together to discuss issues relevant to their industries. Following is a condensed version of the roundtable discussion.

How has the economy affected your business?

Bob Anderson: What I'm hearing from clients is that things are getting a little bit better very, very slowly, but they are getting better. There is a special pressure on the fees and I still think there is a belt tightening that is going on. In my experience, it's getting marginally better every month for the clients.

Bill Wells: We're seeing a little bit of improvement in the revenue line, but the revenue line is the problem. Most of our clients had cut their expenses back as far as they can and are looking for efficiencies, but that is pretty well over now. The challenge is to grow the revenue line and there has been fewer transactions which has affected our business.

How has your pricing and fee structure changed due to the economy?

Anderson: We have to be more flexible. We're not very often involved in a competitive bid environment, but it's



clear that potential clients are shopping fees because one of the first questions is, what is your hourly rate, what is it going to cost? In the better times, people were more concerned about the talent that they were hiring and more concerned about experience.

Dana Tompkins: We're seeing the same thing and we have to be flexible with the clients. We've even considered lowering our billable rate per hour so it's affordable in the current market. The only way to maintain a competitive edge was to be sensitive with the fees so that the client could afford services. Our firm made a conscious effort to switch into more of an advisory role with the clients, and we've seen a big up-tick in the business evaluations.

Ralph Piercy: The challenge, particularly in the audit area, is to maintain your quality when there is a little bit of fee pressure out there. The delivery systems have to be more efficient because you can't sacrifice quality. We haven't had a lot of clients switching to a lower fee, but we've had clients rearrange their service so they attempt to do more and we do less. Sometimes that backfires because they mess it up and it costs more to fix what they do, rather than if we had done it from the beginning. Clients have been more fee

conscious; some only needed services because a lender required it, so they went back to the lenders and renegotiated what the lender required.

Glenn Goodnough: You have to make sure that you understand your clients, understand the full circumference of their needs and be able to meet them in the most efficient way possible; address the risks so that you can provide a competitive and responsive service.

Is finding qualified employees an issue?

Wells: There's always a challenge to find good people. Historically, at least in the last couple of years, people have been somewhat paralyzed to move. They haven't changed jobs as frequently because if they have a job that is a sure thing, they'd rather retain it instead of going out and look for a new one. We're starting to see a little bit more movement in the local market; we've hired a few people from competitors lately, so I think that's loosening up, but finding good people is always a challenge.

Piercy: We didn't lay anybody off as a direct result of the economy, because our people are our primary assets and we develop all of our people from within. If you let somebody go, it takes time to get them back up to speed and it's not a very productive way to do business. If anybody suffered with profits being down, it was primarily the owners because you don't want to get rid of your assets; assets being the people that work for you.

Goodnough: Thankfully, diversity, which was a double edged sword, was our friend through the downturn, and we've been able to grow moderately during this time. We have also seen good people stay with us, which has enabled us that growth; Ralph [Piercy] is right, you cannot compromise quality.

Tompkins: In our firm, fortunately, we did not lay anyone off either and

we managed to grow in this economy by shifting our services. We shifted more in the way of business evaluations, forensic accounting and auditing services; we [moved] away from the tax compliance work.

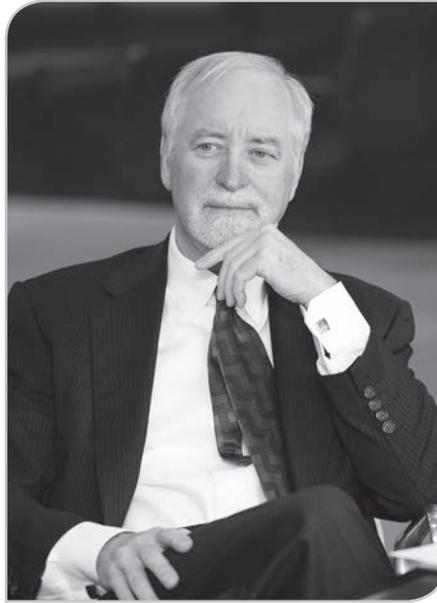
Are the requirements to become a CPA a deterrent to possible recruits?

Wells: I think over long terms the projections are people are going to enter the profession, so I don't think there's a huge issue right now. In the future there could be; fewer people want to go into the profession. It's a difficult profession in that it's hard work to stay current, stay relevant.

Anderson: The requirements now is it a five-year program? So, it's longer, more time in school and difficult to do in a difficult economy. The exam is tough; the CPA [exam] is probably one of the most rigorous exams out there, [it's] very difficult to pass.

Goodnough: Every year, specific industries will require industry specific continuing professional education as well. We have certified fraud examiners and they require certain CPE (Continuing Professional Education) as well. We're members of the AICPA (American Institute of CPAs) Employee Benefit Plan Audit Quality Center and 40 hours is rarely, if ever adequate to accomplish the entire span of our CPE needs.

Piercy: Continuing education requirements vary by state. In Nevada, in your 40-hours, you have to have ethics; in California, you have to have so many test hours. We're licensed in several states; [there are] just different requirements that make it difficult to coordinate all the licensing requirements. If you're licensed in multiple states, you have more continuing education a year than 40 [hours] and, depending on what initials you have behind your name, adds a lot of continuing education time.



How competitive is your industry?

Barry Herr: I don't specialize in tax or estate planning, so if my clients have those needs, I refer them to various other

firms. I have relationships with those firms simply because I don't have that expertise, I'm a sole practitioner. If these other firms have issues with the reviews, audits or other types of engagement, I will go and work with them. There is a relationship and it works out pretty well.

Piercy: [From] a competitive standpoint, you compete with yourself; where are you comfortable in your skin. I don't go after McGladrey's clients, a couple of times I told him, we had a call from one of your clients; you might want to go over and see if the problem can be worked out. It's more of a proactive approach, we have niches and niches allow you to command a higher rate. It's competitive with who you are and what you want to accomplish. So, you need to be looking for good clients and taking care of the clients that you have, but I don't feel a sense of competition amongst the people. We mostly know each other and sometimes clients will move from firm to firm based solely on fee pressure.

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OPPORTUNITY
AT WORK.



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Is there an obligation for CPAs to report clients if they are aware of any wrongdoing?

Piercy: Fire the client, and not only on the tax side, if you have an audit client that you feel is being guarded about what they are telling you, that's probably a very polite way of suspecting they are lying to you.

Anderson: You can advise the client that they have done something wrong and they need to report it properly and take the consequences of it. If they refuse to do that, I don't know that you have any choice; you can't file the tax return because you become a party to that, so you have to terminate the case. Ralph [Piercy] is right, it's true with audits, it's just not worth it.

Do CPAs deal with conflicts of interests?

Wells: There is actual conflict and perceived conflict, both have to be managed. Sometimes it's clearly a conflict of interest where you do have to resign or not accept an engagement and there are other times it's a conflict by perception [and] in reality it probably isn't, but it's safer just to not go there.

If someone is looking to retain a CPA, what types of questions should they ask?

Piercy: One of the key questions is how much experience do you have in the given industry, because from industry to industry, competent CPAs can vary greatly. Another question would be: What is your business service model? And, what types of services can a company reasonably expect to receive from the CPA firm that they are retaining? Having a good under-

standing of their needs and how they will be met will be the key to the success of the relationship.

How has technology changed the industry?

Wells: We're always looking for opportunities to enhance our operational effectiveness and efficiency, and technology plays into that. There's a cost benefit relationship that you have to look at and what is the return on investment, because the investments are huge. It's a case by case situation, the industry as a whole has gotten very high-tech relative to the tax preparation, audit software or research capabilities; just about every facet of the business.

Goodnough: There is so much professional judgment involved in what we do, which really becomes the driver. Technology, although it's relevant, it's marginal in comparison to just your core business understanding and your business competency to provide those services well and we have to have a good delivery system.

Tompkins: We've embraced technology and were able to move our office to a completely paperless environment and with voice over IP phones; we're able to retain staff at other locations. They work remotely and it's just as though they are in the office with us, they have access to all the documents. We have great document retention software and document management software that we feel has really enhanced our systems and efficiency.

Anderson: One of the negative things about technology, in e-mails, clients don't allow the professional to give thoughtful consideration to anything. They want to send the document, send you the question, and expect you waiting there breathlessly for the e-mail. You can read it, digest it and respond quickly; but sometimes you just need the time to think about things, to roll it around in your head, and to talk to others to reflect on it. That's one of the biggest challenges, getting the clients to understand that we need time.

Herr: The CPA technology has been a benefit to all of us because we don't have to go down to the client every time we need a document. We don't have to have that physical embrace where we only would see them once or twice a year. I have a relationship with a client in Canada just as well as I can have one on the other side of Las Vegas through telephone conference. We have that relationship, but more importantly, we're able to service our clients better.

How does the business community view the industry?

Anderson: Most businesses have a relationship with somebody in the accounting field. I think that they have a lot better and a lot deeper relationship with their accountants and CPAs than they do

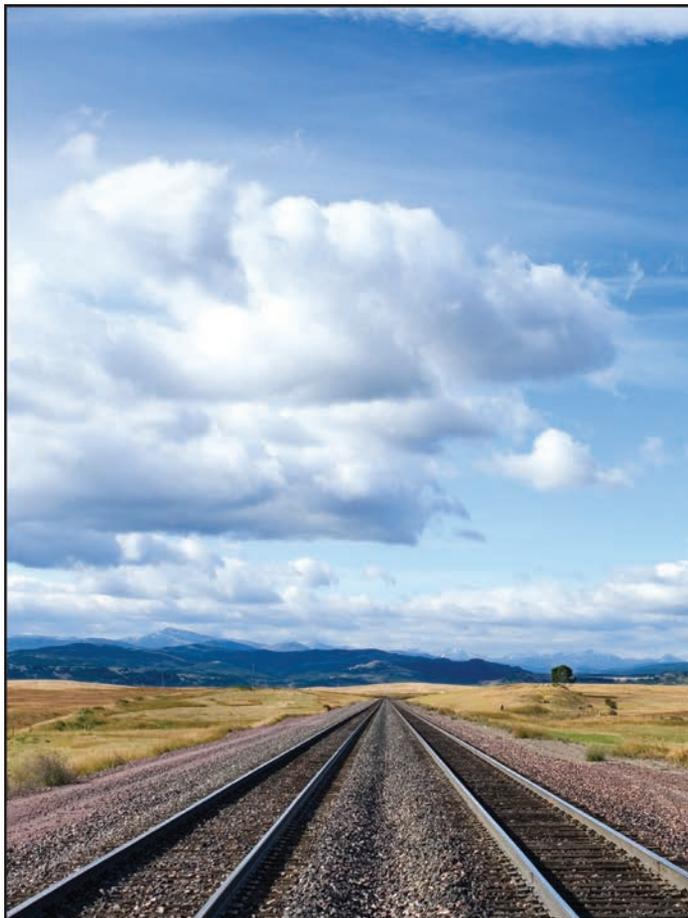


with their lawyers. There are some businesses where there is a lot of litigation and there are a lot of issues that come up on a day-to-day basis, which would be a

unique basis. I think it's as Bill [Wells] and others have indicated, you develop relationships with the clients and they are in there once a quarter, once a month a couple times a year, and they only come to see us when there is some bad news that they want us to deal with.

How easy is the IRS to deal with?

Anderson: They are like every population, there are difficult agents to deal with and there are some that come in on a power trip. But, once you get past some of that, they are trying to do their job and you're trying to do your job. The good part of it is you can always go up, you can go to appeals, tax court or the District Court. There is always an opportunity to get past the person, the level that is being particularly dif-



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ficult. It gets expensive and very costly, but there's a process to work your way up. If you're fearful of the audit, [you] may be fearful for a couple of reasons; one is the cost, because you have to get professionals involved to represent you, or you're fearful because you've done something wrong and you're afraid it's going to be discovered.

Piercy: If there is an issue, it's normal-

ly with the on-site person that maybe you're disagreeing with or maybe not moving as fast as you would like them to. A lot of times you get their supervisor involved and you work through it; it hasn't really been a confrontational process in the experience of our firm. There is a process that you follow and everybody is working to get to the same place.

Are CPA firms diversifying in their areas of practice?

Wells: You have to be flexible and change with what is available to you and what the opportunities are. With the economy becoming more global, there are opportunities to look beyond just the local jurisdiction and go more into the state and local tax issues, or even the national tax issues.

Piercy: Diversification is interesting and it has to be managed because you can spend a lot of money getting into a new line of business that doesn't help you at all profit wise. You have to manage what your opportunities are and how you employ them.

Goodnough: In addition to identifying the opportunity for our clients, many times opportunities develop from listening well to your clients about what their particular concerns are. We find that with forensics and fraud issues that a lot of companies, with the restructuring they have had to go through, have not aligned their internal controls to correlate with the staffing changes to evaluate proper segregation of duties, authorization, documentation and other core structural elements of a good internal analysis. We felt that has been an opportunity to help companies look at the change of their internal controls to match the change in their entity so that those issues don't overtake them. 

In Brief

The Nevada State Development Corporation has approved \$45 million in SBA 504 loans in fiscal year 2012. This compares to \$30.4 million in 2011 and represents a 48 percent increase in loan activity for the state.



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Opportunity At Work

Nevada's Department of Employment Training and Rehabilitation Offers **Incentives and Assistance to Employers Who Hire People with Disabilities**

During these tough economic times, Nevada employers are coming up with inventive ideas to improve their business processes and bottom lines. One of those ways is by taking advantage of federal and state incentives offered when tapping into the talented pool of jobseekers who have disabilities.

Nationwide, corporations are realizing the cost savings and other benefits to hiring people with disabilities. Walgreens, TJ Max, Lowe's, Best Buy, Macy's and many others are reaping the rewards of staffing their businesses with these individuals who are highly competent and often more enthusiastic about their jobs.

The disability community is the third largest American market segment, ahead of African Americans, Hispanics and teens. In the US, 1 in 5 persons is living with a disability. According to the Office of Disability Employment Policy, that represents a trillion dollars in purchasing power. In Nevada, 9 to 9.9 percent of working age individuals have a

disability, which is almost 10 percent of the entire working age population, and the proportion of employees with disabilities is expected to grow as "Baby Boomers" age. It stands to reason that a demographic that size would be greatly represented in the workforce.

Many would be surprised at just how extensive the benefits are for hiring people with disabilities. In Nevada, there is a \$3.67 return on investment for every taxpayer dollar spent on Nevada Vocational Rehabilitation in 2011. Additionally, according to Think Beyond the Label, a public-private partnership promoting the hiring of disabled individuals, the total savings to a business for hiring a person with a disability is almost \$40,000. These incentives come by way of Work Opportunity Tax Credit of up to \$2400; Disabled Access Credit for 50 percent of eligible expenditures over \$250 and up to \$10,500 a year/tax bill reduced to \$5000; Barrier Removal Tax Deduction up to \$15,000



"Many would be surprised at just how extensive the benefits are for hiring people with disabilities"

a year. Also, partnering with State Vocational Rehabilitation for candidate identification/screening, on-the-job-training, job coaching, work attire, assistive technology, in total typically can be worth over \$10,000.

The State of Nevada, Bureau of Vocational Rehabilitation provides a gamut of services to help people with disabilities. In addition, the state assists employers in helping people with disabilities perform successfully in their places of business.

Primary services to clients include training (on-the-job-training and classroom based), higher education, assistive technology for the workplace, counseling and guidance, treatment of impairments and transportation. For employers the Rehabilitation Division can refer job ready candidates who are enthusiastic, dedicated and hard working.

Research has shown that individuals with disabilities are punctual, productive and just as capable as any other employee.

Partnership is the key. There are amazing resources in place to help businesses find qualified applicants and reasonable accommodation solutions for hiring people with disabilities. Businesses that have a culture of inclusiveness of all diverse populations are

typically well respected in the community and maintain a positive work environment for employees. Studies have shown that companies that make it comfortable for employees to self-disclose their disabilities appreciate increased employee engagement, job satisfaction, commitment, retention and reduced turnover and absenteeism.

DETR's Rehabilitation Division is dedicated to helping individuals with disabilities realize their career and education goals while at the same time showing employers how people with disabilities can be a tremendous business asset. Employers are invited to let DETR show them Opportunity at Work and what benefits await. There is staff available in offices throughout the state. 

Frank Woodbeck is director of the Nevada Department of Employment, Training and Rehabilitation.

Breathe Easy

Keep Filters Clean With Sonitx

Throughout the 60's and 70's, as products became more plentiful and inexpensive, Americans evolved into a throwaway society.

Over the past twenty years we transitioned towards a more sustainable future. But, when trying to replace things like garbage bags, paper towels and other convenience items we are met with tradeoffs that aren't so appealing.

However, there is one throwaway product that can be easily and sensibly replaced with a sustainable and permanent product.

That product is air filters.

Background

From humble beginnings conducting experiments in a small garage in Las Vegas to a network that now covers half the United States, Sonitx has paved the way in sustainable permanent air filtration for commercial properties. It is our goal to provide filtration that results in immediate, real savings.

Permanent electrostatic air filters are nothing new. They arrived on the scene over 50 years ago. When we looked into the market, we found a lot of companies selling permanent air filters, but no one was servicing them. Even though the filters performed better in many cases, than throwaway filters, facility managers soon tired of cleaning them and eventually went back to using throwaways.

Another reason for slow growth in electrostatic filtration is the high initial cost of the filters.

Solutions

We set out to remove the obstacles of electrostatic filtration to the commercial world.

We began by reducing the upfront cost. We own all the inventory of filters. We buy them by the thousands to keep our costs down. We pass those savings on to our customers by way of reduced service costs. Our customers do not have to buy the filters up front, but rather, we supply the filters and

Here is what some of our customers have to say:

"Since your guys started cleaning condensers for us, our callbacks have been reduced by 50%!"

- Maintenance supervisor for a 24 million dollar HVACR company in Colorado.

"You guys clean coils that we can't even touch with our equipment."

- Supervisor for a large HVACR company in Las Vegas.

"Some of the units you cleaned have never been cleaned because no HVACR contractor would take on the job in that tight space."

- Maintenance director for a large casino chain.

"Your filters have been great and your service and response time is outstanding. Communication is top notch and our techs like your filters."

- Large mechanical contractor in Nevada, California and Arizona regarding numerous Office buildings.

they pay us to clean them regularly. We put each customer on a custom schedule for cleaning to make sure they have maximum airflow at all times saving on energy costs.

Sonitx also keeps coils clean. We offer a five year clean coil guaranty for any customer who takes advantage of our 95 percent filter and gets their evaporator coils cleaned upon installation. Filter customers also enjoy discounts on annual condenser coil cleaning up to 60 percent.

We service filters and coils at all hours of the day or night. By using aerial lifts we are able to service buildings up to four stories tall without requiring inside access on weekends or nights. This allows us a flexible schedule and keeps costs down.

We are not an HVAC company. We don't do any repairs. We specialize only in keeping the airflow through the units free and consistent. That way our service pays for itself in such a way that our customers remain loyal.

It may surprise you, but some of you reading this already have our filters on your roof. And most certainly we have cleaned the coils of some reading this within the past few months. Because even if you have never heard of us, chances are your HVAC company has. Over half our our accounts come through HVACR companies that believe in our work, our product and our integrity. Full service HVACR companies prefer us because we reduce their costs.

Savings

What does this mean to you?

- Our filter service can save you up to 25% over your current filter service provider
- Condenser coil cleaning can mean savings up to 18% on your energy bill
- Evaporator coil cleaning can reduce energy bills up to 26%
- Studies show that cleaning coils can increase the life of an average rooftop unit from 13 to 25 years.
- ROI on coil cleaning is usually less than a MONTH.

Sonitx is on the forefront of this new service based technology. We have been saving money for our customers in the Las Vegas Valley since 2004. ■



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Henderson Receives Award for Energy Efficiency

The City of Henderson has been awarded the Energy Project of the Year in Region V for its city-wide, multi-phase energy savings performance contract (ESPC) with Ameresco. The award was conferred from the Association of Energy Engineers (AEE). The \$23 million ESPC was implemented in 2006 and is a combination of energy conservation and operational savings measures that will save the city just over \$2 million annually in energy costs. 🌿

Mining Industry Accounts for One in Every Three Jobs Added

According to a study completed by Applied Analysis, Nevada's mining industry has accounted for 14 percent of jobs added statewide in the past year and 33 percent of jobs added statewide since June of 2009.

In rural communities, mining has helped boost low unemployment rates such as 4.9 percent in Esmeralda County, 5.4 percent in Lander County, 5.5 percent in Elko County, 5.9 percent in Humboldt County and 5.9 percent in Eureka County. The industry has added 1,200 jobs over the past 12 months. The number of Nevadans directly employed in mining is over 12,000. 🌿

Farr West Acquires Chilton Engineering

Farr West Engineering has acquired Chilton Engineering and Surveying of Elko. Chilton Engineering will merge its existing employees with Farr West's. The merger is expected to offer clients a broader range of services including surveying, transportation, water rights, water resources and hydrogeology and geographic information systems (GIS), among others. 🌿



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Deriving Value from Patents

Strategies for Handling the **Legal Challenges**



While a patent holder may derive substantial revenue through licensing its patent portfolio, engaging in licensing negotiations presents a number of potential traps for the unwary. In the April issue of *Nevada Business Magazine*, we discussed the risk that, by entering into licensing negotiations without exercising due care, a patent holder can subject itself to being sued in an unfamiliar forum by the prospective licensee. In addition to this risk, the patent owner and the potential licensee can lose significant leverage and potential value in future litigation through statements made during licensing negotiations.

For example, courts have recently held that the content of patent licensing negotiations may be admissible in litigation over the patent. It has long been the rule that, subject to certain narrow exceptions, settlement discussions regarding a dispute are generally not admissible in a subsequent lawsuit over the dispute (the settlement-discussion-inadmissibility rule). Since these patent transaction discussions can create a “reasonable apprehension” of a lawsuit, it stands to reason that the discussions would be inadmissible in court as settlements or offers to compromise. After all, if the content of those discussions causes the prospective licensee to anticipate being sued, then it would seem that an attempt to conclude the discussion with a licensing agreement could be considered an offer to compromise. It is possible, however, that the settlement-discussions-inadmissibility rule will not apply under certain circumstances involving licensing discussions.

In one recent case, the patent owner specifically conditioned licensing negotiations on an agreement that negotiations would be treated as settlement discussions and would not be admitted at trial. The Federal Circuit nevertheless held the discussions admissible, reasoning that the exclusionary rule applied only to efforts to compromise a claim already in litigation.

Thus, although the patentee’s conditioning of negotiations on adherence to the settlement-discussion-inadmissibility rule can be a factor in creating a reasonable apprehension of suit, the substance of those discussions was nevertheless deemed admissible in the subsequent suit. This ruling raises the possibility that any statements made during patent transaction discussions might be admissible in subsequent litigation involving the patent.

First, statements made during licensing negotiations may be admissible in determining questions of damages, including the amount of a reasonable royalty used to assess damages. The courts have identified fifteen factors for consideration in determining a reasonable royalty. These factors include the licensor’s licensing policy, the royalty the licensor and a licensee would have agreed upon at the time infringement began, the rates paid by the licensee to use comparable patents, and the commercial success and popularity of the invention. Obviously, licensing discussions might be pertinent to these factors and be considered by the court to determine an appropriate royalty rate.

Second, statements made during patent transaction discussions may be admissible on the question of infringement and willfulness of infringement. These potentially admissible statements include, for example, statements concerning the scope of the patent, how much a potential infringer uses the invention, and concessions regarding need for a license.

In addition, when a patent owner is willing to discuss licensing of its patent, in some circumstances the offer might be used to show that royalty payments are an adequate remedy for the infringement. A patent owner often can obtain injunctive relief (preventing a competitor from making, using, or selling the invention) upon a showing that the harm it will suffer cannot be adequately remedied by monetary judgment. Depending on the circumstances, however, attempts by the patent owner to license its patent might be admitted in subsequent litigation to show the adequacy of monetary remedies under the circumstances, possibly precluding injunctive relief. The patent right to exclude others from exploiting an invention therefore can be terminated, and the patent severely devalued, by discussions that might possibly preclude injunctive relief.

As with many areas of law, working with experienced intellectual property counsel at the outset of patent transaction discussions can help reduce and possibly eliminate negative consequences for the parties to the discussions. Involving appropriate counsel can help preserve value of the patent to the patent owner, on the one hand, and minimize potential risk to the possible licensee on the other. 🌟

Robert C. Ryan is a partner and patent attorney at Holland & Hart, LLP. Jerry M. Snyder is an attorney at Holland & Hart, LLP, both are based out of its Reno office.

Delayed Debt Restructuring Exerts Downward Pressure on Nevada Commercial Real Estate

Tenant-in-Common Properties Generate Drag

Despite slightly improving economic conditions, Nevada's commercial real estate market continues to face downward pressure as a result of poorly underwritten and grossly overleveraged legacy deals from 2005 to 2007, which are now coming to maturity. This same scenario is playing out in virtually every region across the country. According to data service provider Trepp LLC, U.S. commercial real estate loans totaling more than \$1.73 trillion will mature from 2012 through 2016. Two-thirds of this maturing debt is currently underwater or close to it, with 56 percent of the 2016 maturities underwater by more than 10 percent. Over the past 12 months, only 42.8 percent of the commercial mortgage-backed securities with balloon loans were paid off on their maturity date.

Underwater loans that have hit maturity and/or don't generate enough cash to cover debt service cannot be refinanced without new equity, lender write-offs or, in some instances, both. As underwater properties go through voluntary or involuntary restructurings, they often drag down other, currently financially stable, buildings by negatively impacting rents in the region. This downward valuation spiral will create the most stress on properties located in secondary markets such as Las Vegas and negatively influence properties currently thought to be relatively safe and stable.

Many of the reasons for the particularly difficult conditions in Nevada's commercial real estate market have been widely discussed: overbuilding was rife, and local lenders were wildly aggressive on their underwriting criteria, with the effects of both exacerbated by the recessionary pressures on gaming and

hospitality. One other contributing factor has not received much attention, however: the disproportionate number of properties in Nevada that were purchased through tenant-in-common (TIC) syndications.

TIC syndications gained popularity in the early-to-mid 2000s as a way for up to 35 small "mom-and-pop" investors to pool their money and purchase large-scale commercial properties, opportunities which previously had been largely unavailable to them. Additionally, the TIC structure allowed these same investors to leverage a TIC-specific 1031 like-kind tax deferral ruling by the Internal Revenue Service in 2002. Some of the TIC transactions in Las Vegas involved properties with values in excess of \$80 million.

Enticed by sponsors with the promise of compelling yields, these TIC investors, many of them senior citizens, could not foresee the potential pitfalls associated with the transactions. These deals were often loaded with excessive fees. There have been some types of troubled loans with "loads," or upfront fees, of up to 27 percent. Such a fee would mean that for every dollar used to acquire the property, only 73 cents actually went to work in the investment.

Most of these TIC investments were made between 2005 and 2007, at the absolute top of the real estate market. A number of investors allege some Las Vegas TIC deals included blatant fraud. The investors of one TIC property in Henderson claim the deal's sponsor didn't tell them that the property was part of an infamous Ponzi scheme. In another deal located in Downtown Las Vegas, the sponsor allegedly claimed that the

building's mechanical systems were brand new, but the investors say the systems were about 40 years old. Naturally, the adversely affected TIC investors are incensed by what they believe are unscrupulous practices by these sponsors.

For these reasons, TIC deals often end up in court, congesting securities fraud, litigation and bankruptcy dockets. The Clark County Superior Court is overwhelmed with civil litigation as it plows through years of backlog to get through discovery and into trial. The federal court is understaffed, and the bankruptcy court is swamped. In the meantime, the commercial real estate market can't reach equilibrium until the borrowers and lenders complete the debt resolution process and remove this impediment to economic recovery.

As property values continue to decline, one can see a long stream of underwater Nevada loans facing either maturity defaults or payment defaults as a result of decreased rental income. This overhang will prolong the market malaise and contribute to underinvestment as borrowers facing default will resist putting money back into the underperforming properties. Ultimately, the community suffers as maintenance is ignored, capital improvements are deferred, and scarce resources are expended on litigation and bankruptcy.

The market will improve more quickly if borrowers, lenders, the courts and the community began acting in such a way as to accelerate the debt restructuring process. While this process may be painful in the short term, everyone ultimately benefits when the market regains its footing. 

Phil Jemmett is CEO of Breakwater Equity Partners.

Let's Quit Killing Jobs in the Silver State

Legislators Should Remove Obstacles to Job Creation

Nevada's unemployment rate has lingered at unacceptably high, double-digit rates for nearly four years.

That uncomfortable statistic — reflecting deep human costs inflicted on many Nevada families — has led the state's political class to make much ado about promoting “economic development.”

During the 2011 legislative session, for example, lawmakers created a new “state framework” for economic development.

Despite that, legislators have neglected several much more direct and immediate actions they could have taken to spur Nevada job creation and economic growth.

Chief among those missed opportunities was removing key obstacles to the state's aspiring entrepreneurs so small businesses could more easily incorporate and begin to hire workers.

In fact, lawmakers moved in the opposite direction: Even more licensing requirements have been imposed on individuals trying to carve out entrepreneurial businesses.

Now, for instance, individuals interested in offering “music therapy” services cannot do so without first appearing before a board populated by their would-be competitors.

Even if their begging before their competitors is successful, they must still pay fees for a state-sanctioned license before they can go to work.

Today, one in three American workers must obtain state-sanctioned licenses before they are legally allowed to go to work in their chosen occupation. That's up from one in 20 workers during the 1950s.

For many occupations that require licensing — such as hair-braiding, landscaping or interior design — consumers

face no obvious threat of physical harm, which was the original rationale for occupational licensing.

Instead, occupational licensing today serves as little more than an anti-competitive scam, designed to place unnecessary barriers before people aspiring to start small businesses.

The Silver State has some of the most stringent licensing requirements in the nation. A recent analysis of state licensing requirements around the U.S. by the Institute for Justice (IJ) says, “Nevada is among the top tier of most broadly and onerously licensed states.”

The IJ report refutes politicians' frequent characterization of the state as a small-business paradise. Instead, it rates Nevada — because of its licensing requirements — as America's third-harsh environment for entrepreneurship.

Moreover, IJ observes, Nevada's licensing requirements are particularly burdensome for those working in low-to-moderate income occupations.

Before an alarm installer can go to work, for example, he must pay \$1,036 in fees just to get the state's permission for him to earn a living.

Nevada is also only one of four jurisdictions that require interior designers to obtain a state-sanctioned license. And the state refuses to issue these licenses unless the worker has completed six years worth of educational or apprenticeship requirements.

In the 47 states that impose no licensing requirements at all on this occupation, the public has not been endangered by an epidemic of drapes mismatched against sofa cushions. So why does the State of

Nevada insist on placing this barrier before individuals who want to work?

For occupations that pose no threat of physical harm to consumers if practiced by an inexperienced individual, licensing requirements should be removed. A competitive marketplace is the best regulator.

Other legislative reforms would also accelerate Nevada's economic recovery. Prevailing wage requirements unnecessarily eliminate construction jobs — reducing the number of public works projects that Nevadans' necessarily limited tax revenues can finance.

A recent NPRI analysis shows that prevailing wage requirements cost taxpayers about \$1 billion over two years, 2009 and 2010. That was money that could have funded any number of important public needs.

Remarkably, even union-funded studies by prevailing-wage advocates show that repeal of prevailing wage requirements is associated with an increase in construction employment — an implicit admission that the requirements kill jobs!

Obvious obstacles to job growth are Nevada's overwhelming volume of state and local regulations, ordinances, zoning requirements and special fees and assessments.

Governor Brian Sandoval has taken some steps toward streamlining or simplifying the state's regulatory structure, but much work remains to be done.

When lawmakers return to Carson City early next year, they need to demonstrate some genuine sincerity about job creation — and start removing all the barriers that have been created. 

Geoffrey Lawrence is deputy policy director at the Nevada Policy Research Institute. For more visit <http://npri.org>.

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◀ Continued from page 11

By the Numbers

As the 2013 Legislature prepares to launch, Democrats hold 27 out of 42 seats in the Assembly. If the November election had given them 28 seats, they'd have had a veto-proof majority. This would have meant that anything they voted for, if it was vetoed by the Governor, that veto could have been overridden by the Democrats. The flip side was also true - if the Republicans had taken 28 seats, their votes would have been veto-proof.

Most people didn't expect the Democrats would get to 28, though 27 is a tight margin. A veto-proof majority of Democrats would have made for an interesting session, according to Sullivan, who predicted it would have been a more aggressive agenda as far as new taxes on businesses and the like. Despite that, pre-election neither side was looking particularly aggressive about looking for new tax revenues.



Alfredo Alonso
Lewis and Roca

Still, the Democratic majority might encourage education and labor groups to push for changes, Sullivan speculated before the election, and those changes would require more funding in the form of taxes, which the Governor will most likely veto. Without the veto-proof Democratic majority, likely such measures will not pass.

Without a Democratic majority of 28 seats, the biggest tax issue facing the Legislature are the sunset taxes, \$600 million in business and sales taxes that should expire at the end of June 2013. These taxes include the modified business tax, which has a higher rate for large businesses since the 2011 session, and an increase in sales tax.

Taxes aren't the only revenue discussions apt to come up. Due to requirements from the Patient Protection and Affordable Care Act, Nevada now has to make internal changes within the state, most likely involving expanding Medicaid to meet requirements of the act. A June 2012 U.S. Supreme Court ruling gave states the right to opt in or opt out of expanding Medicaid eligibility, and decisions on expanding Medicaid won't be made until after the economic forum.

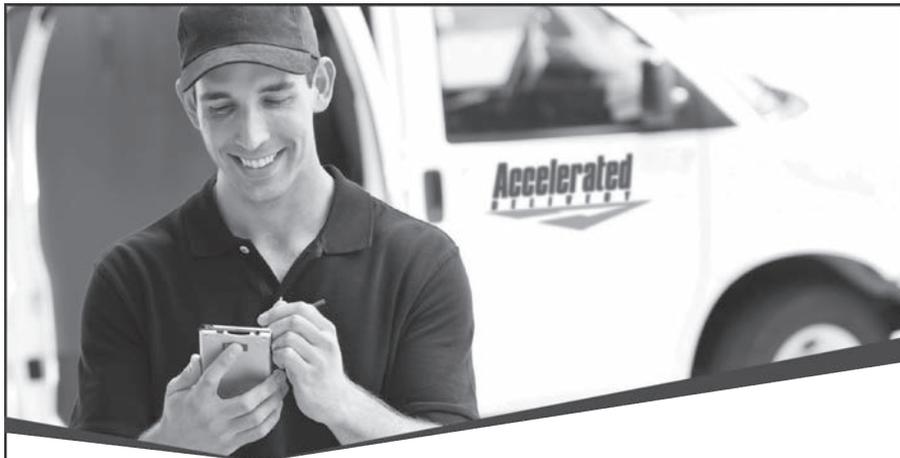
Back on the Table

Healthcare, education and construction defects are all expected to show up again in 2013.

In the realm of construction defects, the real issues aren't so much with the builders as with the sub-contractors who end up in court, brought in on a suit even though their work on a project was a small part of the whole and may have had nothing to do with whatever actions or defects incited the suit. Sub-contractors are looking to make it harder for lawyers to sue everyone involved in the project rather than determining which contractors should be named. The issue has been showing up every two years for about a dozen years and looks likely to appear again in 2013.

Then there's the PERS controversy, the Public Employees' Retirement System, a constant battle every session, with both Republicans and Democrats pushing for changes in benefits and in workers' compensation. "PERS Reform is basically underfunded now, those are unfunded mandates and I'm not sure how the Legislature is going to deal with that," said Alonso.

Funding for education remains a constant in legislative sessions. The teachers initiative, or Education Initiative, with its proposed 2 percent margins tax on businesses making more than \$1 million annually was struck down in October by District Judge James Wilson. The Nevada State Education Association met the November 13 deadline to collect 72,234 signatures required to submit the proposal to the Legislature with more than 149,000 signatures, but must win the appeal set



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for oral arguments before the Nevada Supreme Court December 5 before going on to Carson City in February.

“If it qualifies, and I expect it will qualify, the Legislature has by law its first 40 days to decide to either adopt it or not adopt it or prepare an alternative for it,” said Ferraro. “That obviously is going to be a very serious issue people are going to be paying close attention to.”

But with the Governor set against new taxes, it’s likely the initiative would be vetoed. With the Senate split evenly between Republican- and Democrat- held chairs, the question of whether the initiative will get approval remains up in the air. It’s possible that the Governor could bring competing questions on this issue before legislators.

Another issue the Legislature is expected to face concerns foreclosures in Nevada. “Bills AB 283 and 284 are being litigated,” said Samuel P. McMullen, Sr., partner, Snell & Wilmer. The bills essentially stopped non-judicial foreclosures in Nevada. AB 283 relates to mortgage loans and agents and brokers who work with them. AB 284 was enacted to address a scandal that involved illegal signatures on foreclosure documents. AB 284 requires agents who sign these documents to have personal knowledge of the lender’s authority to foreclose.

Capital projects on the table include the University of Nevada Las Vegas stadium project. The proposal has gotten a lot of attention, Ferraro said, and should go to the Legislature with a proposal to create a tax increment district to fund the project. Last session there was a lot of activity surrounding the proposal but nothing came of it. It’s expected the proposal presented this coming session will be much more specific.

All the Rest

By November there were over 500 bill requests presented to the Legislature, that number is expected to double by February fourth when lawmakers convene in Carson City. Along with budget issues and sunset taxes, education and healthcare, a number of other issues expected to effect Nevadans will be considered.



Greg Ferraro
The Ferraro Group

Economic Development

The 2011 Legislature created the Nevada Governor’s Office of Economic Development, replacing the Nevada Commission on Economic Development. The 2013 session is expected to work toward making certain the state has the necessary tools to compete for the interests of businesses seeking to relocate or expand in Nevada, which goes directly to the issue of employment, according to Ferraro.

Unemployment Insurance

Nevada owes the Federal Government somewhere in the neighborhood of \$750 million. There’s expected to be dis-

cussion during the session as to how best to address that debt.

Interactive Gaming

With Nevada gaming not yet back to 2006 levels, but still recovering, there should be discussion regarding the future of the state with respect to interactive gaming, whether the Federal Government is going to allow online poker and issues as the gaming marketplace faces the realities of interactive play.

“I think it’s a good time in Nevada,” Ferraro said. “I think after all we’ve been through in our state over the last five-plus years, Nevadans have a lot of fighting spirit. They’re resilient. We’ve been through some pretty tough times, I think most Nevadans will come together in Carson City in February and pledge to work together to create new opportunities for businesses to create jobs and continue to pay attention to the important issues of education and healthcare and moving our state forward.”

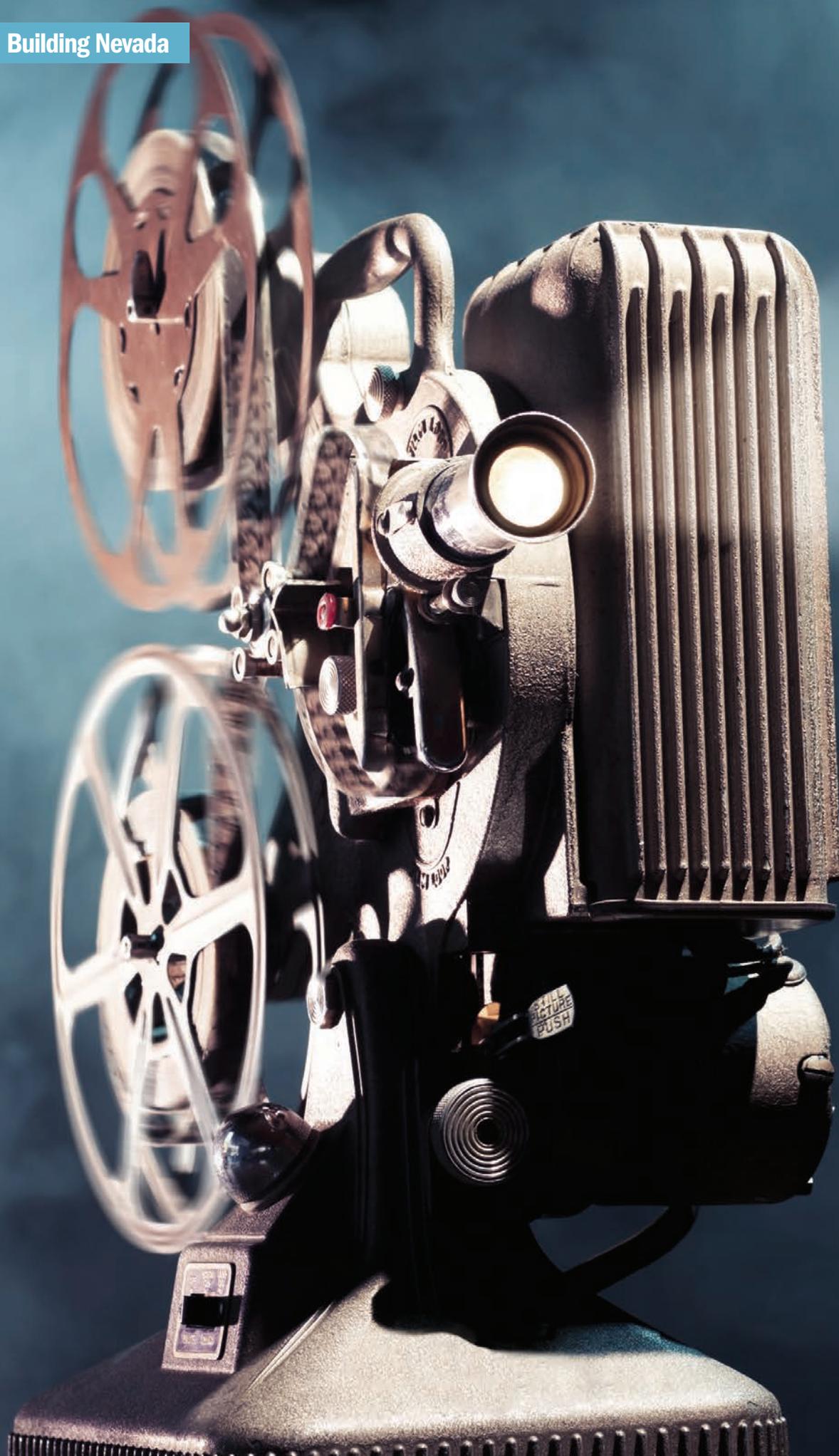
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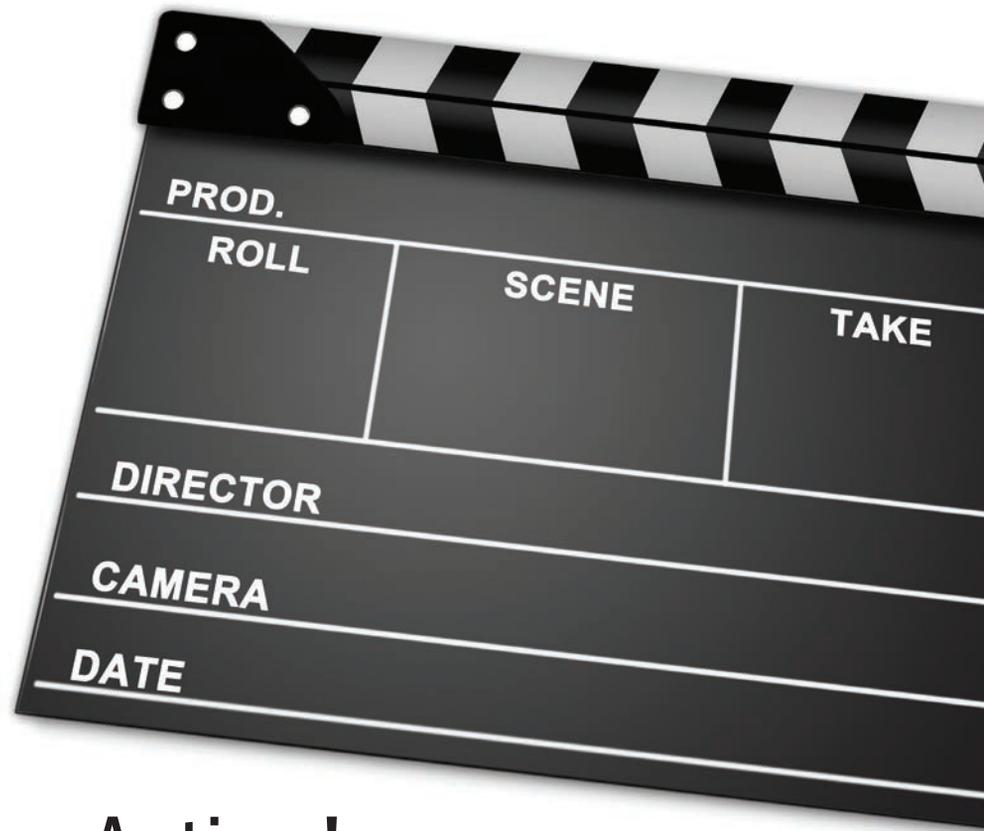
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FILMMAKING IN NEVADA:

By Howard Riell



Lights, Camera, Action!

Level Playing Field isn't the name of a new big-budget film -- but it is the dramatic ending that moviemakers are hoping for in order to bring their production companies to Nevada.

And the economic payoff if the state provides that level playing field could well prove to be a blockbuster.

While just about anyone can name off the top of his head a bunch of movies filmed here -- *Cannonball Run*, *The Electric Horseman*, *Mars Attacks!*, *Mel-*

vin and Howard, *Rain Man*, *Showgirls*, *Star Trek: Generations*, *Waking Up in Reno*, *The Godfather and Godfather II*, *Casino*, *Diamonds Are Forever*, *High Plains Drifter*, *Honeymoon in Vegas*, *Independence Day*, *Leaving Las Vegas*, *Rocky Balboa*, *Oceans Eleven* and of course *The Hangover* are just some -- far fewer can explain how states like Michigan, Louisiana, North Carolina and New Mexico seem to have gotten the drop on Nevada and taken away much of its potential movie industry revenue.

Their secret: luring film production companies with incentives that leave more cash in their pockets. In all, at least 40 states are now working to lure film producers with some sort of incentives.

"When productions film on location it's a tremendous boost to the economy, as crews need places to stay and eat, equipment to rent, people to hire and facilities to use," says Charlie Geocarlis, director of the Nevada Film Office. From its inception in 1982, the Nevada Film Office has facilitated numerous productions and

has generated over \$2 billion in revenue for the state. In addition, when Nevada is seen on the big or small screen it not only benefits the economy but the ancillary increase of tourism is another plus. Feature films such as *The Hangover* and a TV series such as *CSI* attract tourists throughout the year.

Feature film production is “a very good part of our overall economy,” agrees James Reid, president of JR Lighting Inc. in North Las Vegas. Reid’s company rents and sells lighting and grip equipment to the film and television industry. The overwhelming natural advantage the state enjoys, he notes, is that in the movie business “It’s all about location. Las Vegas is a tremendous location, as you have seen in a lot of films. You won’t find what you have in Las Vegas anywhere else. And then we have the mountains and the lakes and those kinds of things that are nice to have as secondary locations.”

John Oteri, the owner of 25-year-old Precision Video Service in Las Vegas,

which rents lighting, grip equipment, sound gear and supplies to film crews, says the business remains “fairly insignificant compared to other industries.” It is, however, growing due to the large number of conventions in town. “There are many experts who come to the conventions, and they prefer to interview people at them. We’re sort of a studio, and we interview people (at conventions) instead of scouring the country to meet these people. They’re in one place; it’s pretty cost effective to do that.”

Precision also enjoys what Oteri calls “a pretty good share of people who want to capitalize on the glamour of Las Vegas and use it as a backdrop for their reality TV shows. We get a lot of pilots.”

Tad Griffith’s 26-year-old company, A. Tad Western Production Co., has offices in Nevada and Aqua Dulce, CA, and handles feature films, television commercials and conventions. Griffith says he doesn’t see Nevada upping its share of the film business until legislators “come

around and actually offer some incentives. I mean, we’ve been competing against Canada and New Zealand, and now we’re competing against Michigan and Louisiana and North Carolina. It’s become a state thing now. Unfortunately, I truly believe that they have to, in good faith, offer some incentives for the studios -- and even for the independent films -- to consider them. Money talks.”

Budget outlays needn’t be inordinate, add Griffith, who is currently in Namibia helping to shoot the *Mad Max* reboot, because of Nevada’s inherent advantages. “I don’t think they have to offer the huge incentives that Michigan and Louisiana undertook. Nevada has more to offer and it’s obvious that being closer, it doesn’t cost too much to move. But I think in all honesty it would require some sort of incentive; maybe half the incentive that the other states are offering would then make it a feasible, viable thing.” Nevada currently offers the lack of a state income tax plus a meager abatement on room tax after 30 days. The economic development plan released by Gov. Brian Sandoval includes a variety of economic development incentives, with some for film taxes.

At present, Griffith continues, production companies “only come to Las Vegas now if they have to use the locations; if they have to use Reno or Las Vegas as a background. Often they try to use Victorville and the high desert to fill in with the locations. But if it were to offer incentives I truly believe people would take advantage of all their terrain and all their mountains. They would shoot more movies here because Nevada, like California, has all those topographical areas.”

Action!

The film office assists productions with location scouting, area logistics, script breakdowns, permitting regulations, insurance requirements, technical support and everything in-between to help assure that a production runs smoothly, remains on-time and on-bud-



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get and has a good experience so they will come back to Nevada with future productions. The process for setting up and filming in the state, Geocaris says, is “fast, easy and involves very little red tape. The intergovernmental cooperation is excellent.”

For the fiscal year starting July 1, 2011 and ending June 30, 2012, the state of Nevada hosted 520 productions -- feature films, TV commercials, series and specials, reality shows, music videos, documentaries, corporate/industrial projects, student films, still photography and others -- and collected nearly \$88.8 million in revenue, according to the Nevada Film Office. The number of productions is higher than the 479 of the previous year, and the highest since 2006 (776).

The Nevada Film Office takes a highly proactive approach by marketing and advertising its one-of-a-kind locations, professional crews and state-of-the-art facilities in trade publications; attends domestic and international trade shows; supports film festivals; conducts community outreach programs; sponsors free education seminars; and administers a screenplay competition in which scripts must contain 75 percent of locations filmable in Nevada. The office also publishes the Nevada Production Directory, an annual resource guide that serves as “yellow pages” for producers, helping them locate everything they’ll need to shoot while on location in Nevada. An online version of the directory with a searchable photo image library can be found at nevadafilm.com, allowing productions 24/7 access to potential Nevada locations.

In addition, the film office publishes *Nevada: A Visual Guide to Locations*, which features the Reno/Tahoe areas, Las Vegas and Southern Nevada locales, roads and countryside to showcase those locations.

“One of the major factors holding us back here in doing feature films is that the state doesn’t really participate in subsidizing film production.”

- John Oteri

Back to the Future

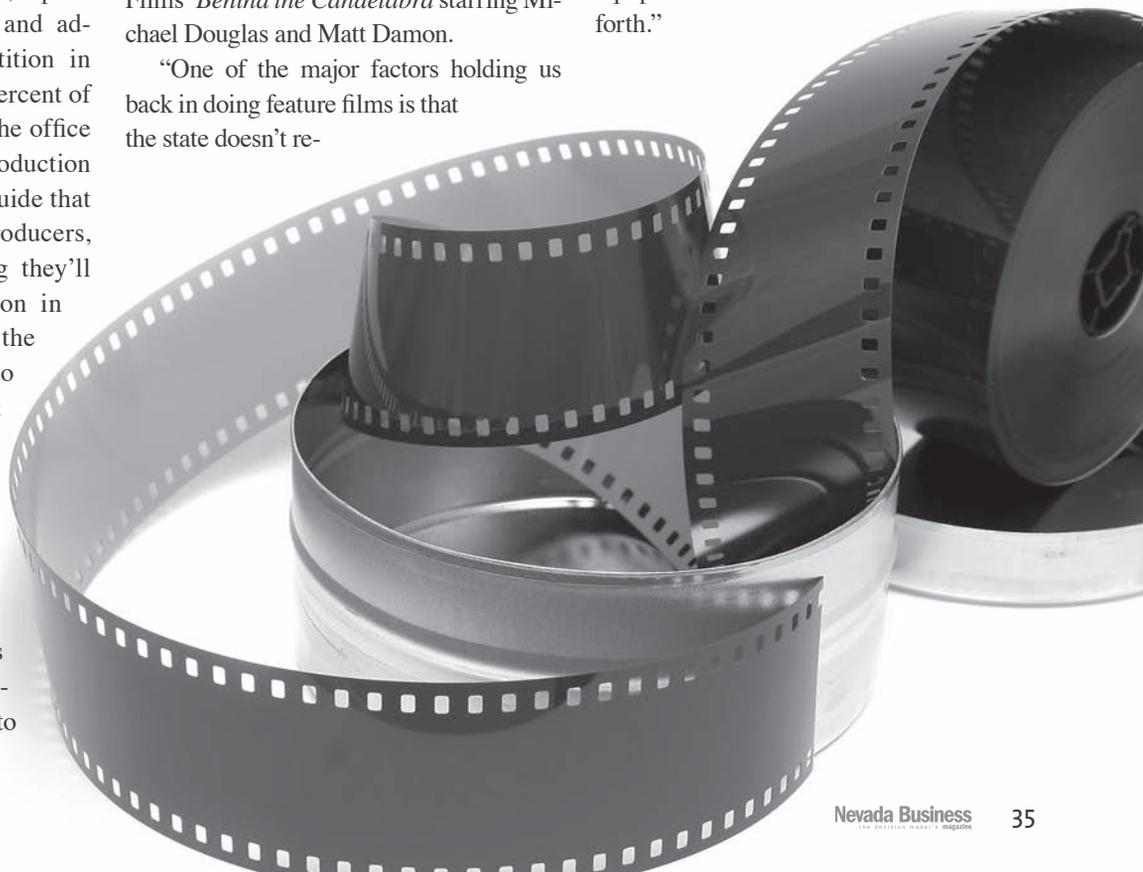
Nevada continues to be popular in Hollywood. Projects scheduled to film in October and November included Warner Brothers’ *Hangover 3*, the Showtime series *House of Lies* and the CBS Films’ *Last Vegas* starring Michael Douglas, Robert DeNiro and Morgan Freeman. Major productions shot during 2012 included the Warner Brothers’ magician comedy *The Incredible Burt Wonderstone* starring Steve Carell and Jim Carrey, which is set to open in theaters on March 15, 2013, and the HBO Films’ *Behind the Candelabra* starring Michael Douglas and Matt Damon.

“One of the major factors holding us back in doing feature films is that the state doesn’t re-

ally participate in subsidizing film production,” says Oteri. “Many other states have film programs. In New Mexico they will give up to \$2 million in production costs back to a company (specifically, the state gives film producers tax savings on direct production and post-production spending, including crew costs). They have invested countless millions of dollars in trying to build up their infrastructure, and they actually shoot a lot of features now. Detroit is another area

that is heavily subsidized. It goes beyond a tax rebate; it’s actually a labor rebate, and we just can’t compete with that.”

Oteri acknowledges that there has been talk about Nevada stepping up, “but with the budget constraints right now it’s sort of out of the question.” He sees the movie industry infrastructure in the state as “pretty frail, actually. It’s kind of limited as far as inventory. There are a lot of different types of equipment, but there is not much depth. We all share, basically. We work with a lot of production companies. We’re all renting from each other and sourcing equipment back and forth.”



There is, Reid says, no shortage of film equipment for crews to rent here in town. "Most of the infrastructure is here. We can certainly improve our infrastructure, of course, as other cities can." One way to do that would be by having a first-class studio based here. "That would probably help a lot." He sees it a likelihood in the future. "I haven't talked to anybody specifically who has a plan on the drawing board that is moving forward. But I suspect that in the next few years we'll have something like that." He also predicts the state will eventually join those that provide subsidies for film companies. "I think it's in Nevada's best interest to level the playing field and be equally competitive with those other states."

Will Nevada legislators attempt to level the playing field and draw more movie production here by offering the same types of incentives as a growing number of other states?

Toni Suttie, the principal of Integrity Casting in Reno, a company that she and

her mother, Joan Bermudes, founded in the 1980s, says she has seen the Nevada film industry grow "quite a lot, actually. There's always been a bit of an issue with regard to getting the tax perks and some of the other perks that some of the other states have and that sometimes can be problematic. But it seems that the independent films are picking up here in the area. I'm really happy to hear that that's happening, and to be able to say that."

It would, reflects Suttie, who specializes in independent feature films, be "nice" to be able to have more incentives for filmmakers. "If they were to be able to arrange something with regard to cool incentives that would be great." She also advocates changes to Nevada's entertainment laws for children. "Right now there really aren't any entertainment laws for minors, so they're able to work them however and whenever they want. It would be nice to be able to get some really firm, look-after-the-kid entertainment laws implemented in our state."

Griffith says he's not sure how close Nevada is to moving in the direction of subsidizing film production. "I'm not sure if they think they have to. I think they believe that because they're so close to California they're going to get the business anyway." Incentives would be most effective, he adds, in bringing in independent films, those with budgets of up to \$30 million.

The final scene in this drama has yet to be scripted. 

In Brief

Care Chest of Sierra Nevada has received a \$100,000 grant from the William N. Pennington Foundation. The grant will support the organization's medical resource programs for low-income, uninsured and under-insured Northern Nevadans.



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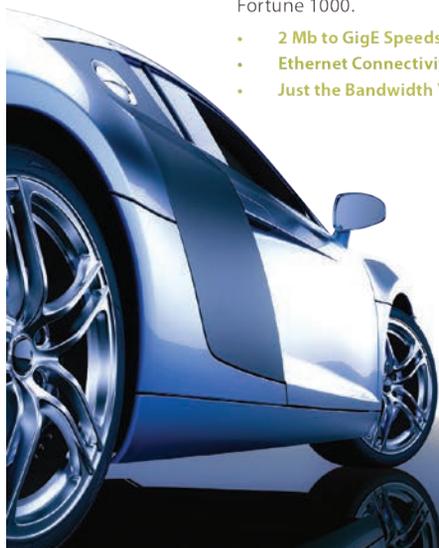
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◀ Continued from page 15

The City of Fallon's Naval Air Station (NAS) is under consideration by the federal government for inclusion in its Centers of Excellence, which will further develop and test unmanned aerial vehicles, or drones. Should NAS Fallon be chosen, it likely would create new jobs in the city and in Churchill County.

In Southern Nevada, the University of Nevada, Las Vegas, has created an office of economic development whose aim is to commercialize university patents, ultimately stimulating economic development and diversification in Southern Nevada, Brown said.

Real Estate

The state's increasing housing prices should continue into next year, Brown said. The median home sales price up North, as of the end of September, was \$178,000, up 19.5 percent from September 2011, Reno-Sparks Realtors Association data showed. At the same time, the median price of homes sold in the south was \$140,000, up 13.5 percent from one year ago, according to the Greater Las Vegas Association of Realtors.

"I think there is every indication that housing prices will continue to rise," Brown said.

Residential real estate has been turning around in Northern Nevada, and that's expected to continue, Bonenfant said. Home sales have been good for the past couple of years in the lower price range (\$100,000 to \$250,000), and recently, the upper end has shown greater activity.

Home sales in Southern Nevada, however, have lagged, and continuation of that trend is anticipated. Some new construction is taking place, yet the region has more vacant units than houses for sale, Brown said. Some of that vacant inventory will be foreclosed on.

"I think the foreclosure numbers will go up but not by a lot," he added.

Nevada still remains the state with the most underwater mortgages, which remain high, Brown said, but they're coming down, mostly because property values are inching up.

"I think we'll be number one next year, too," he added. "We'll see the numbers come down a little but not much."

Retail Sector

Retail sales have been a bright spot in Nevada's economy in 2012. Sales throughout the state of durable goods, larger purchases like cars and appliances, have been up. In Las Vegas, retail shopping at the high-end stores on the Strip, such as Mikimoto, Harry Winston,

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Tiffany, Cartier and more—also has risen.

“People have more income to spend, and they’re spending it,” Brown said.

This upward trajectory is expected to continue in 2013, with overall retail sales growing slightly, said Bryan Wachter, director of public and government affairs for the Retail Association of Nevada (RAN).

“We don’t see any reason to believe that will fall short,” he added.

Bonnenfant said in 2013, more Nevadans will buy cars and spend more on health care. Also, further movement in residential real estate likely will translate into concurrent activity in retail sales of home goods, furniture and the like.

Consumer confidence reached a new normal this year. RAN projects a 6.8 percent increase in holiday spending in 2012

“I think there is every indication that housing prices will continue to rise.”

- Stephen Brown

over 2011 and the addition of more than 4,000 temporary jobs during the season.

“All of those are good indicators,” Wachter said. “We think that things are moving forward.”

As far as new stores, Walmart plans to open a 169,000-square-foot supercenter in Southwest Las Vegas, at the corner of South Rainbow Boulevard and Blue Diamond Road.

“It’s encouraging to see, given where we are in the housing foreclosure crisis, that Walmart is opening a store based on rooftops,” Wachter said.

Construction of the Shops at Summerlin, a project that had been shelved, is scheduled to begin in 2013. Near the Las Vegas Beltway between Sahara Avenue and Charleston Boulevard, this mixed-use development will include retail, office, hotel, entertainment and multifamily residential units. Macy’s already has signed on as an anchor tenant.

Bonnenfant said he expects consumer confidence to hold steady, yet energy prices could influence both confidence and spending. The number of unemployed Nevadans and others still hesitant to spend also remains a headwind for retail sales, Wachter said.

“I think our optimism [for the sector] is tempered with a little bit of realism,” he added. 

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Brooke R. Thompson

Nevada Boise Complex Director
Merrill Lynch Wealth Management
Summerlin

Number of Employees: 100
Years in Nevada: 1
Years with Company: 12

QA &

How did you first get into your profession?

I had a large network of friends who encouraged me to get into the financial services industry. I had no prior experience but my background in sales and management propelled forward my first job as a financial adviser in Tuscaloosa, Ala.

What would you want your legacy to future generations to be?

I want to be seen as a strong role model for women in the financial sector, especially since it's a predominantly male profession. I also want to be a role model for men and be respected for the decisions I make regardless of my gender.

What is the biggest challenge your industry is facing?

The industry is struggling to win back clients' confidence and re-build trust. This presents an immense opportunity for high-quality firms and advisers to surface. At Merrill Lynch, we definitely have the leaders and the most professional, well-equipped advisers of anyone on the street.

What is the best perk of your career?

I love the exposure to so many different people with distinct personalities and areas of expertise. I am constantly learning from and with them.

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

I wish that someone had told me to bring a mentor or colleague with me to my first meeting with a client. Also, I wish someone had emphasized the importance of preparedness.

What is the worst criticism you have overcome?

I've always been told that I'm too direct. I've gotten better at delivering a softer message, but I've also realized it's also one of my strong suits so I haven't dropped the directness altogether.

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

The toughest lesson I've learned is that every day brings new challenges. It's easy to lament and wish other things, but I've also learned that this backward-thinking mindset inhibits you from growing as an individual while still making progress in your personal or professional life.

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PROJECTS

Las Vegas, 89109

Retail

Forte Specialty Contractors recently completed construction of Eli Roth's Goretorium. The project cost \$6 million dollars and occupies 14,500 SF inside the three-story Harmon Corner. It will serve as the first year-around haunted house tourist attraction on the Strip. The property is located on the northeast corner of Las Vegas Boulevard and Harmon Avenue.

Las Vegas, 89131

Multi-Family

The non-profit, New Vista, has broken ground on a medical clinic and senior citizen home for intellectually challenged individuals in the northwest area of Las Vegas. The construction will be completed by **Bentar Development** in six-phases. The senior homes will house intellectually challenged individuals and the medical clinic will provide support and medical care. The facility will be on 15-acres of land, which was donated by the Gilcrease family. The location of the project is 7875 N. Rainbow Boulevard.

Las Vegas, 89129

Other

Burke Construction is developing the Cobalt Cheyenne Data Center. Upon completion, the project will be 34,000 SF. The data center will hold 500 cabinets and support up to 600 watts per square foot. **Tom Harris** of **Harris**

Consulting Engineers served as lead engineer of the project. The architect of record is **Ethos Three Architecture**. The development will cost \$45 million to complete and is located at 7710 W. Cheyenne Avenue.

SALES

North Las Vegas, 89032

Office

Hoover Investments purchased 7,998 SF in the Cheyenne Business Park from **Quality Properties** for \$450,000 or \$56 PSF. The buyer was represented by **Ben Millis** of **Newmark, Grubb, Knight, Frank** and the seller was represented by **Michael Campbell** of **NAI Las Vegas**. The property is located at 3460 W. Cheyenne Avenue. APN # 139-08-417-006

Las Vegas, 89130

Office

Barrister Global Services Network, Inc purchased 8,120 SF from **US Acquisition Property XXVII** for \$452,000 or \$56 PSF. The buyer was represented by **Paul Chaffee** and **Wil Chaffee** of **C Squared Real Estate** and the seller was represented by **Bryan Houser** and **Doug Albright** of **Albright Callister & Associates**. The property is located at 3600 Rancho Drive. APN # 138-12-213-049

Sparks, 89434

Office

Dold Properties LLC purchased 4,002 SF from **Kufis Family Trust, James C & Carolyn M** for \$430,000 or \$107 PSF. The property is located at 1963 E. Prater Way. APN # 037-350-05



Sierra Sky Properties

Reno, 89521

Office

Sierra Sky Properties LLC purchased 7,172 SF from **Adams & Associates Inc** for \$1,004,080 or \$140 PSF. The property is located at 10395 Double R Boulevard. APN # 160-852-20

Reno, 89521

Office

ABF Properties LLC purchased 8,096 SF from **RTTC Town Center LLC** for \$1,650,000 or \$204 PSF. The property is located at 10795 Double R Boulevard. APN # 160-900-49

Reno, 89511

Office

TMP2 LTD purchased 4,070 SF from **Reno Professional Campus Inc** for \$723,370 or \$178 PSF. The property is located at 5301 Reno Corporate Drive. APN # 164-421-24

Las Vegas, 89120

Retail

Costantino Noval purchased 18,304 SF from **Zions First National Bank** for \$800,000 or \$44 PSF. The buyer was represented by **Gloria Levy** and the

seller was represented by **Cathy Jones** and **Paul Miachika** of **Sun Commercial Real Estate**. The property is located at 5220 S. Pecos Road. APN # 161-30-203-006

Boulder City, 89005 Industrial

Wind Sail Receptor purchased 14,650 SF from **PENSA LLC** for \$1,188,000 or \$81 PSF. The buyer was represented by **Roger Golwitzer** of **Dick Blair Realty** and the seller was represented by **Ben Millis** of **Newmark, Grubb, Knight, Frank**. The property is located at 1009 Industrial Road. APN # 186-08-502-003

Reno, 89502 Industrial

Renown Health purchased 17,014 SF from **Durham-Flocchini Assoc LLC** for \$400,000 or \$24 PSF. The property is located at 1700 E. 2nd street. APN # 012-164-03

Las Vegas, 89115 Industrial

Frontier Management LLC purchased 5,000 SF from **Liquidity Investment Group** for \$200,000 or \$40 PSF. The buyer was represented by **Herb Duncan** of **Imagine Realty, LLC** and the seller was represented by **Chris Lexis** and **Joe Leavitt** of **Lee & Associates**. The property is located at 2886 Marco Street. APN # 140-17-612-004

Las Vegas, 89119 Industrial

HELP of Southern Nevada purchased 11,926 SF from **United Way of Southern Nevada Inc.** for \$720,000 or \$60 PSF. The buyer was represented by **Jeb Betz** of **Juliet Realty Group** and the seller was represented by **Jessica Beall** and **Roy Fritz** of **Sun Commercial Real Estate**. The property is located at 1660 E. Flamingo Road. APN # 162-14-411-002

Henderson, 89074 Multi-Family

Habitat Flats LLC purchased a 30-unit apartment complex from **City National Bank** for \$603,462 or \$20,115 per unit. The property is located at 72 High Street. APN # 012-112-22

Las Vegas, 89101 Multi-Family

James E. Wolf purchased a 138-unit apartment complex from **Pacifica F Meadows, LLC** for \$3,575,000 or \$25,900 per unit. The seller was represented by **Patrick Sauter** of **NAI Sauter Companies**. The property is located at 121 N. 15th Street. APN # 139-35-311-001

Las Vegas, 89103 Multi-Family

Riverview Development XVIII, LLC purchased a 840-unit apartment complex from **S N I P Renaissance LP** for \$75 million or \$89,300 per unit. The buyer and the seller were both represented by **Lloyd Sauter** and **Patrick Sauter** of **NAI Sauter Companies**. The property is located at 5419 W. Tropicana Avenue. APN # 163-25-514-003

Reno, 89431 Multi-Family

Liu, Guofeng et al purchased a 12-unit apartment complex from **Ewers Family Trust** for \$540,000 or \$45,000 per unit. The property is located at 2501 G Street. APN # 031-292-30

Las Vegas, 89129 Vacant Land

JP Morgan Chase Bank purchased an acre of land from **CT-1, LLC** for \$900,000. The buyer was represented by **Dave Johnson** and **Phillip Baca** of **NAI Las Vegas** and the seller was represented by **Nelson Tressler** and **Michael Zobrist** of **Newmark, Grubb, Knight, Frank**. The property is located at 7204 W. Craig Road. APN # 138-03-201-009

LEASES

Henderson, 89014 Office

Healthcare Partners Nevada, LLC & Affiliates leased 4,790 SF in the Quail Bonita Office Park from **Equus Investment Group, LP** for \$589,160 on a five-year lease. The landlord was represented by **Rob Lujan** and **Jason Simon** of **Gatski Commercial**. The property is located at 600 Whitney Ranch, Suite B6-8. Reported monthly rent is \$2.05 PSF.

Henderson, 89014 Office

Donor Services Group leased 5,740 SF in the Galleria Corporate Center from **Vanderhoven Buildings Inc** for \$443,240 on a five-year lease. The tenant was represented by **Ben Millis** of **Newmark, Grubb, Knight, Frank** and the landlord was represented by **Jerry Hagfeldt** of **MDL Group**. The property is located at 375 N. Stephanie Street, Building 14. Reported monthly rent is \$1.29 PSF.

Henderson, 89052 Office

Dr. Thomas J. Keating, DDS leased 3,920 SF in the Seven Hills Business Center from **B & R Receivership, LLC** for \$387,043 on a five-year lease. The tenant was represented by **Brendan Keating** of **The Equity Group** and the landlord was represented by **Rob Lujan** and **Jason Simon** of **Gatski Commercial**. The property is located at 880 Seven Hills Drive #240. Reported monthly rent is \$1.65 PSF.

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**Las Vegas, 89121
Office**

Clark County Urban League leased 3,650 SF in the Renaissance III Shopping Center from **Alisam Ren III** for \$343,611 on a 5-year lease. The tenant was represented by **Mary McClellan** of **Realty One Group** and the landlord was represented by **Robin Civish** and **Lauren Brouillet** of **NAI Las Vegas**. The property is located at 3330 E. Flamingo Road, Suites 50-52. Reported monthly rent is \$1.57 PSF.

**Henderson, 89012
Retail**

WFTLV04, LLC leased 4,752 SF in the Black Mountain Marketplace from **Karlin Black Mountain, LLC** for \$903,830 on a 128-month lease. The tenant was represented by **Brian Sorrentino** of **R.O.I. Commercial** and the landlord was represented by **Rob Lujan** and **Jason Simon** of **Gatski Comemrcial**. The property is located at 76 Horizon Ridge Parkway #C100 A&B. Reported monthly rent is \$1.49 PSF.

**Henderson, 89052
Retail**

Bio Mechanics leased 4,804 SF in the Eastern Hills Center from **Quest Media & Supplies Inc** for \$343,966 on a 64-month lease. The tenant was represented by **Kris Watier** of **Lee & Associates** and the landlord was represented by **Robin Civish** and **Lauren Brouillet** of **NAI Las Vegas**. The property is located at 10909 S. Eastern Avenue. Reported monthly rent is \$1.12 PSF.

**Las Vegas, 89115
Industrial**

Marretti, Tilton & Gragson leased 5,067 SF in the Speedway Commerce Center from **Harsch Investment Properties** for \$15,084 on a one-year lease. The landlord was represented by **Tom Elkington** of **NAI Las Vegas**. The property is located at 6959 Speedway Boulevard, Suite W-104. Reported monthly rent is \$0.25 PSF.

**Las Vegas, 89118
Industrial**

West Coast Movers leased 10,000 SF in the Procyon Industrial Park from **Tom Klein** for

\$128,500 on a 39-month lease. The tenant and the landlord were both represented by **Matt Feustel** of **Virtus Commercial**. The property is located at 3651 Ali Baba Lane, Suites 106 and 107. Reported monthly rent is \$0.33 PSF.

**Las Vegas, 89118
Industrial**

Las Vegas Premier Paintball leased 22,500 SF in the Diablo Industrial Park from **Tanner Family LP** for \$374,922 on a 40-month lease. The tenant was represented by **Ben Millis** of **Newmark, Grubb, Knight, Frank** and the landlord was represented by **Marty Martel** of **MDL Group**. The property is located at 3905 W. Diablo Drive. Reported monthly rent is \$0.42 PSF.

LOANS

**Sparks, 89431
Industrial**

Nevada State Development Corp. has funded a loan for Capurro Trucking. The transaction had a 4.26 percent fixed interest rate for 20 years. The loan was for the purchase of a 19,920 SF industrial building located at 955 Deming Way.

**Reno, 89502
Retail**

Nevada State Development Corp. has funded a loan for Alpine Lock & Key. The transaction had a 4.26 percent fixed interest rate for 20 years. The loan was for the purchase of a 6,110 SF retail building located at 811 Ryland Street.

**Reno, 89511
Office**

Nevada State Development Corp. has funded a loan for Pestmaster Services. The transaction had a 4.26 percent fixed interest rate for 20 years. The loan was for the purchase of a 11,520 SF office/warehouse building located at 9716 S. Virginia Street, Units E and F.

**Carson City, 89706
Industrial**

Nevada State Development Corp. has funded a loan for Omega Powersports. The transaction had a 4.26 percent fixed interest rate for 20 years. The loan was for the purchase of a 35,000 SF manufacturing facility located at 3000 Conestoga Drive.

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Office Summary

Third Quarter 2012

Las Vegas

The office sector witnessed a quarter-over-quarter decline in vacancy rates for the first time in two years. During the third quarter of 2012, the vacancy rate fell to 25.2 percent, down 0.4 percentage points compared to the prior quarter (Q2 2012). However, the rate remains 0.3-percentage points higher than a year ago (Q3 2011). The sector reported approximately 245,600 square feet of positive net absorption.

The amount of space actively under construction increased to 328,200 square feet. Approximately 74,200 square feet is sourced to two buildings that stalled in the third quarter of 2009 and was recently resurrected. The second phase of Seven Hills Plaza comprises an additional 44,000 square feet underway. Also, three projects are actively under construction in the downtown submarket. Over 2.4 million square feet remains planned with few expected to start construction in the near future.

Office-using employment reported a year-over-year increase for the first time in twelve months in September of 2012. While the recent shift was only modest, it is an improvement from recent activity. Pricing levels are expected to continue to adjust as distressed assets are traded at lower overall valuations.

Reno-Sparks

The region is striving to become a tertiary hub for continued data center activity. The call center trend of over a decade ago is back in swing. Two new service support centers have taken foot in the region to take advantage of the available work force and near plug and play office space.

Mid-Town continues to progress and attract small retailers and professional services firms to downtown. New vertical construction has commenced on the Thoma & S. Virginia Street site and Marmot Properties continues to transform their two block residential assemblage in the immediate area.

After a positive six months of net absorption, the market took a step backwards and gave back approximately 31,000 square feet in the 3rd quarter. Most of this give back space can be attributed to a few local companies downsizing in renegotiations of lease terms and the continued flight to quality benefiting the Meadowood and Downtown submarkets. This elevated the overall direct vacancy to 16.84 percent from 16.17 percent.

The Meadowood submarket, namely the Kietzke Lane & S. McCarran Boulevard corridor, continues to lead the way standing at 13.59% vacancy. Institutional tenants continue to endorse this area as it provides multiple Class A options with freeway visibility and access.

OFFICE

3rd Quarter 2012

TOTAL MARKET	LAS VEGAS	RENO
Total Square feet	52,238,894	7,478,401
Vacant Square Feet	13,148,739	1,259,185
Percent Vacant	25.2%	16.84%
New Construction	33,000	0
Net Absorption	245,648	(31,078)
Average Lease SF/MO (NNN)	\$1.91	\$1.50
Under Construction	328,246	0
Planned	2,424,233	0
CLASS A		
Total Square Feet	10,688,411	4,111,174
Vacant Square Feet	2,468,296	690,750
Percent Vacant	23.1%	16.80%
New Construction	0	0
Net Absorption	107,065	(30,633)
Average Lease SF/MO (NNN)	\$2.44	\$1.52
Under Construction	210,000	0
Planned	834,838	0
CLASS B		
Total Square Feet	31,772,651	2,090,823
Vacant Square Feet	8,335,996	310,906
Percent Vacant	26.2%	14.87%
New Construction	33,000	0
Net Absorption	167,408	(8,420)
Average Lease SF/MO (NNN)	\$1.88	\$1.24
Under Construction	118,246	0
Planned	1,589,395	0
CLASS C		
Total Square Feet	9,777,832	1,276,404
Vacant Square Feet	2,344,447	257,529
Percent Vacant	24.0%	20.18%
New Construction	0	0
Net Absorption	(28,825)	10,088
Average Lease SF/MO (NNN)	\$1.47	\$1.08
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

The U.S. economy is showing signs of moderate improvement. Estimates of U.S. real GDP for third quarter 2012 show an annualized growth rate of 2.0 percent. Although higher than the tepid 1.3 percent growth rate for second quarter, the third quarter rate is well below the average growth rate of 3.4 percent the U.S. economy experienced from 1947 to 2007. Growth in U.S. real GDP during third quarter 2012 was driven by increases in personal consumption expenditures, federal government spending, and resident fixed investment. Non-residential fixed investment, private inventory investment, and net exports all made negative contributions. U.S. nonfarm employment continues to rise, gaining 171,000 jobs from September to October. The unemployment rate rose from 7.8 to 7.9 percent in the same time period, as labor force participation increased. Business surveys and anecdotal reports show businesses delaying investment until after a number of policy uncertainties, including the fiscal cliff, abate.

The Nevada economy showed mixed signals for September. Seasonally adjusted, statewide employment increased by 7,100 jobs (0.6 percent) from August to September. The Nevada unemployment rate decreased slightly from 12.1 percent to 11.8 percent. Nevada is seeing a slowing in the growth of tourism. Visitor volume was 1.4 percent higher in September than a year earlier. Gaming revenue was 3.3 percent higher year-over-year. Taxable sales continue to show strong growth, up 7.6 percent from last year.

For Clark County, seasonally adjusted employment decreased from August to September by 700 jobs. The Las Vegas unemployment rate declined slightly from 12.0 percent in August to 11.7 percent in September. Total passengers at McCarran Airport are down 4.2 percent from a year earlier. Compared to a year ago, September visitor volume was up by 0.9 percent. Gaming revenue was 3.7 percent higher in September than a year earlier. Clark County's taxable sales for August were 8.1 percent above those for a year earlier. Residential construction permits increased slightly from August to September. Commercial construction permits remained at a low level.

The most recent data for Washoe County mirror those at the state level. Seasonally adjusted, Reno-Sparks' employment increased by 800 jobs (0.4 percent) from August to September. The seasonally adjusted Reno-Sparks unemployment rate declined slightly, from 11.8 percent in August to 11.6 in September. Compared to a year earlier, September visitor volume was up by 3.0 percent. Gaming revenues for September were up by 0.6 percent over the same period a year earlier. Residential construction permits increased in September, while commercial construction permits remained low.

Ryan T. Kennelly

UNLV Center for Business and Economic Research

	DATE	UNITS	DATA			GROWTH		COMMENTS
			LATEST	PREVIOUS	YEAR AGO	RECENT	YEAR AGO	
Nevada								
Employment	2012M09	000s, SA	1,136.1	1,129.0	1,130.1	0.6%	0.5%	Up Over Year Ago
Unemployment Rate*	2012M09	%, SA	11.8	12.1	13.6	-0.3%	-1.8%	Reduced Slightly
Taxable Sales	2012M08	\$billion	3,669	3,550	3,410	3.3%	7.6%	Up Over Year Ago
Gaming Revenue	2012M09	\$million	892.75	859.24	863.95	3.9%	3.3%	Up Over Year Ago
Passengers	2012M08	million persons	3,770	4,048	3,934	-6.9%	-4.2%	Down from Year Ago
Gasoline Sales	2012M08	million gallons	96.03	95.57	96.68	0.5%	-0.7%	Down from Year Ago
Visitor Volume	2012M09	million persons	4,212	4,249	4,156	-0.9%	1.4%	Up Over Year Ago
Clark County								
Employment	2012M09	000s, SA	815.7	816.4	810.5	-0.1%	0.6%	Up Over Year Ago
Unemployment Rate*	2012M09	%, Smoothed SA	11.7	12.0	13.7	-0.3%	-2.0%	Reduced Slightly
Taxable Sales	2012M08	\$billion	2,600	2,539	2,406	2.4%	8.1%	Up Over Year Ago
Gaming Revenue	2012M09	\$million	760.55	727.03	733.65	4.6%	3.7%	Up Over Year Ago
Residential Permits	2012M09	units permitted	615	602	323	2.2%	90.4%	Up Over Year Ago
Commercial Permits	2012M09	permits	3	2	13	50.0%	-76.9%	Low and Volatile
Passengers	2012M09	million persons	3,430	3,644	3,553	-5.9%	-3.5%	Down from Year Ago
Gasoline Sales	2012M08	million gallons	64.12	64.50	64.80	-0.6%	-1.1%	Down from Year Ago
Visitor Volume	2012M09	million persons	3,582	3,600	3,549	-0.5%	0.9%	Up Over Year Ago
Washoe County								
Employment **	2012M09	000s, SA	189.1	188.3	188.0	0.4%	0.6%	Up Over Year Ago
Unemployment Rate*	2012M09	%, Smoothed SA	11.6	11.8	13.2	-0.2%	-1.6%	Reduced Slightly
Taxable Sales	2012M08	\$billion	0,518	0,490	0,469	5.8%	10.5%	Up Over Year Ago
Gaming Revenue	2012M09	\$million	68.84	68.08	68.46	1.1%	0.6%	Up Over Year Ago
Residential Permits	2012M09	units permitted	84	40	45	110.0%	86.7%	Up Over Year Ago
Commercial Permits	2012M09	permits	17	21	8	-19.0%	112.5%	Low and Volatile
Passengers	2012M09	million persons	0,290	0,351	0,311	-17.3%	-6.7%	Down from Year Ago
Gasoline Sales	2012M08	million gallons	15.27	14.58	15.47	4.7%	-1.3%	Down from Year Ago
Visitor Volume	2012M09	million persons	0,430	0,446	0,417	-3.7%	3.0%	Up Over Year Ago
United States								
Employment	2012M10	million, SA	133,755	133,584	131,806	0.1%	1.5%	Slow Growth
Unemployment Rate	2012M10	%, SA	7.9	7.8	8.9	0.1%	-1.0%	Slight Increase
Consumer Price Index	2012M09	82-84=100, SA	231.4	230.1	226.9	0.6%	2.0%	Up Moderately
Core CPI	2012M09	82-84=100, SA	230.6	230.2	226.1	0.1%	2.0%	Up Moderately
Employment Cost Index	2012Q3	89.06=100, SA	116.3	115.8	114.2	0.4%	1.8%	Up Moderately
Productivity Index	2012Q3	2005=100, SA	111.4	111.0	109.9	0.4%	1.4%	Up Moderately
Retail Sales Growth	2012M09	\$billion, SA	412.9	408.3	391.9	1.1%	5.4%	Up Strongly
Auto and Truck Sales	2012M09	million, SA	14.88	14.46	13.09	2.9%	13.6%	Up Strongly
Housing Starts	2012M09	million, SA	0.872	0.758	0.647	15.0%	34.8%	Up Over Year Ago
Real GDP Growth***	2012Q3	2005\$billion, SA	13,616.2	13,548.5	13,306.9	2.0%	2.3%	Up Weakly
U.S. Dollar	2012M10	97.01=100	98.907	99.242	98.886	-0.3%	0.0%	Flat Year-Over-Year
Trade Balance	2012M09	\$billion, SA	-41,545	-43,790	-44,467	-5.1%	-6.6%	Year-Over-Year Deficit Decrease
S and P 500	2012M10	monthly close	1,412.16	1,440.67	1,253.30	-2.0%	12.7%	Up Strongly
Real Short-term Rates*	2012M09	%, NSA	-3.19	-3.50	-3.29	0.3%	0.1%	Less Negative Recently
Treasury Yield Spread	2012M10	%, NSA	1.65	1.61	2.13	0.04%	-0.48%	Widened Recently

*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 System.

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

What is your favorite holiday tradition?

“For 14 years, we’ve been providing Christmas to Las Vegas children with “Giving Day.” We provide food, clothing and toys to under-privileged children. The Giving Day tradition has contributed to lives of thousands of families who would have gone without.”



Mary Musso · Corporate Broker and Vice President of Sales and Marketing, Distinctive Homes



Philip Patent · President and Chief Operating Officer, The Coffee Bean & Tea Leaf Nevada

“The best part of a Hanukkah night is relaxing with a cup of coffee as I watch my grandson playing dreidel under the light of the menorah and singing songs as the evening winds down. It’s those moments that remind me what the holidays are really about: passing our traditions and stories onto future generations.”

“On Thanksgiving, when family and friends are all gathered together, we go around the room and everyone has the opportunity to share their thoughts on why or what or who makes them thankful. It is truly a special time.”



Tommi Bryan · Human Resources Representative, Tronox Henderson Plant



Michael D. Bosma · CPA, The Bosma Group

“My favorite holiday tradition is year- end planning for businesses. Yes it may seem odd, but the ability to connect strategic planning with the cash flow derived from making prudent tax decisions always end the year with a bang!”

“Christmas by far. Christ has and continues to give gifts to us every day. It is the least we can do to celebrate his birth, life and resurrection for all of us. I hope America has not lost their values or life changes significantly. Seeing the three year old in his PJ jumpsuit with sausage eyes because of Santa, is icing on the cake...”



Jeffrey Lowden · MBA, Broker, President, SkyWest and Companies



Stephanie Kirby · Executive Director, Susan G. Komen for the Cure of Southern Nevada

“My favorite holiday tradition is baking cookies with my kids for Santa on Christmas Eve and then leaving “traces” of him for them to find on Christmas morning. Since they’re 8 and 5, I think I only have a couple more years of this tradition, but I’ll enjoy it while it lasts!”



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Jeanine Sandford
Academic Advisor

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