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Business Day

The New York Times

MONDAY, JULY 7, 2014

In Casino Town, Rolling the Dice On High-Tech

By DIONNE SEARCEY

RENO, Nev. — A street newly nicknamed Startup Row intersects this city's old strip of casinos touting Money Maker Jackpots and Crazy Cash Slot Tournaments.

While old-fashioned slot machines are whirring nearby, this stretch of road has become a home for smartphone app makers, cloud computing developers and companies like one that set up shop here recently to build tiny sensors that allow devices to connect to the Internet.

For most of America, Reno stirs images of worn-out casinos, strip clubs and quick divorces. But it is trying to change that reputation and reduce its reliance on gambling by taking advantage of its location and low taxes to gain a solid footing in the new economy. Instead of poker payouts, Reno now boasts of e-commerce ventures, an Apple data center and a testing ground for drones. It also hopes to attract a large factory to build batteries for Tesla's electric vehicles.

"People believe in this town, and they're tired of being presented as this joke," said Abbi Whitaker, a local business owner who helped create a marketing campaign to re-shape Reno's image. "When you're at rock

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Seeking a New Image Reno Cites Low Taxes And a Good Location To Attract Start-Ups



Clockwise from top: Horses at a warehouse in Tahoe-Reno Industrial Center. The Truckee River cuts through downtown Reno. Startup Row, a development hub downtown. Pinocchio, on Startup Row, makes radio sensors. A Zulily plant being built at Tahoe-Reno Industrial Center. The Whitney Peak Hotel in downtown Reno.

PHOTOGRAPHS BY DAVID CALVERT FOR THE NEW YORK TIMES

Reno, an Old-Fashioned Casino Town, Rolls the Dice on a High-Tech Future

From First Business Page

bottom there's a good chance to reinvent how you go up."

Reno exemplifies how cities not far from California, including Boise, Idaho, and Tucson, are trying to poach the state's technology culture to help diversify their economies, marketing themselves as places where taxes are lower and environmental regulations are less onerous. They hope that when the next recession strikes, they will not sink to the same depths as they did in the last one.

NOTICE OF AUCTION

AUCTION DATE AND TIME: Aug. 13, 2014 at 11:00 a.m. (NY Time)
BID DEADLINE DATE AND TIME: Aug. 14, 2014 at 4:00 p.m. (NY Time)
SALE HEARING DATE AND TIME: Aug. 27, 2014 at 10:00 a.m. (NY Time)
OBJECTION DEADLINE DATE AND TIME: Aug. 14, 2014 at 4:00 p.m. (NY Time)
SUPPLEMENTAL OBJECTION DEADLINE: Aug. 22, 2014 at 4:00 p.m. (NY Time)

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re: Chapter 11
FL 6801 SPIRITS LLC, et al., Case No. 14-11691
Debtors. (Jointly Administered)

NOTICE OF AUCTION AND HEARING TO CONSIDER APPROVAL OF SALE OF THE DEBTORS' PROPERTY

NOTICE IS HEREBY GIVEN, that:

1. On June 1, 2014, FL 6801 Spirits LLC, et al., (the "Debtors") filed a motion (the "Motion") with the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") requesting, among other things, (i) the approval of bidding procedures (the "Bidding Procedures") in connection with the sale of the Assets, as defined in the Purchase and Sale Agreement attached to the Motion as Exhibit A, to 360 Miami Hotel & Spa LLC, as stalking horse purchaser (the "Purchaser") and (ii) the scheduling of a bid deadline, auction date, and sale hearing (the "Bidding Schedule"). On July 1, 2014, the Bankruptcy Court entered an order (the "Bidding Procedures Order") approving, among other things, the Bidding Procedures, and establishing the Bidding Schedule.

2. A copy of each of the Motion, the Bidding Procedures, and the Bidding Procedures Order may be obtained by: (i) accessing the Bankruptcy Court's website at www.uscourts.gov; (ii) accessing the website maintained by the Debtors' claims and noticing agent at <http://cases.primereclerk.com/spirits/>; or (iii) contacting Frank A. Oswald, Esq., at Togut, Segal & Segal LLP, attorneys for the Debtors, at (212) 594-5000. Note that a PACER password is needed to access documents on the Court's website.

3. The Debtors and the Purchaser have entered into the Purchase and Sale Agreement (the "Purchase Agreement") for the sale of the Assets, but as set forth in the Bidding Procedures, the sale of the Assets remains subject to higher or better offers and Bankruptcy Court approval.

4. All interested parties are invited to make competing offers for the Assets in accordance with the terms of the Bidding Procedures and Bidding Procedures Order. The deadline to submit competing offers (the "Bid Deadline") is August 14, 2014 at 4:00 p.m. New York time. Pursuant to the Bidding Procedures Order, the Debtors may conduct an auction (the "Auction") for the sale of the Assets on August 19, 2014 at 11:00 a.m. New York time. The Auction may be adjourned from time to time.

5. The Bidding Procedures Order further provides that a Sale Hearing will be held on August 27, 2014, at 10:00 a.m. New York time before the Honorable Shelley C. Chapman, United States Bankruptcy Judge, in Room 622 of the Bankruptcy Court, One Bowling Green, New York, New York 10004. The hearing may be adjourned from time to time.

6. At the Sale Hearing, the Debtors will request that the Bankruptcy Court enter an order, among other things, approving the highest or best bid for the Assets, or the Purchase Agreement (which will be determined as described in the Bidding Procedures), pursuant to which the Debtors will transfer the Assets. In addition, the Debtors will request that the Bankruptcy Court provide that the transfer of the Assets be free and clear of all liens, claims and interests, including possessory leasehold interests (other than certain permitted exceptions as expressly set forth in the Purchase Agreement).

7. At the Sale Hearing, the Bankruptcy Court may enter such orders as it deems appropriate under applicable law and as required by the circumstances and equities of this Chapter 11 case. Objections, if any, to the sale of the Assets pursuant to the terms of the agreement reached between the Debtors and the successful bidder for the Assets, the proposed form of Order, or the Purchase Agreement, as applicable, must be in writing and filed with the Bankruptcy Court and served so as to be received no later than 4:00 p.m. prevailing Eastern Time on August 14, 2014, provided, however that supplemental objections relating to the conduct of the Auction, the selection of the Successful Bidder (other than the Purchaser) or the terms of the Successful Bid (other than the Purchase Agreement), may be filed with this Court and served so as to be received no later than 4:00 p.m. prevailing Eastern Time on August 22, 2014 (the "Supplemental Objection Deadline"). Copies of Objections, if any, must be provided to the Chambers of the Honorable Shelley Chapman, United States Bankruptcy Judge, United States Bankruptcy Court, One Bowling Green, Room 610, New York, New York 10004-1408, must conform to the Bankruptcy Rules and the Local Rules of the Bankruptcy Court, must set forth the name of the objecting party, the nature and amount of any claims or interests held or asserted against the Debtors' estates, the basis for the objection and the specific grounds therefor, and must be served upon: (i) Togut, Segal & Segal LLP, attorneys for the Debtors, One Penn Plaza, Suite 3335, New York, New York 10119, Attention: Frank A. Oswald, Esq.; (ii) the Office of the United States Trustee for Region 2, Attn: William K. Harrington, Esq., and Susan D. Golden, Esq., U.S. Federal Office Building, 201 Varick Street, Suite 1006, New York, New York 10014; (iii) counsel for the Purchaser, Fulbright & Jaworski LLP, 98 San Jacinto Blvd., Suite 1100, Austin, Texas 78701-4255, Attn: Jane Snoddy Smith, Esq., and 2200 Ross Avenue, Suite 2800, Dallas, Texas 75201, Attn: Kristian W. Gluck, Esq.; and (iv) counsel for the Associations, Brown Rudnick LLP, 7 Times Square, New York, New York 10036, Attn: Edward S. Weisfelner, Esq., and Howard S. Steel, Esq.

8. All requests for information concerning the sale of the Assets should be directed by written request to counsel for the Debtors, Togut, Segal & Segal LLP, One Penn Plaza, Suite 3335, New York, New York 10119, Attention: Frank A. Oswald, Esq., or by contacting CBRE, Inc., Attention: Christian Charre at (305) 381-6427 or Christian.Charre@cbre.com, 777 Brickell Avenue, Suite 900, Miami, Florida 33131, real estate brokers to the Debtors' estates.

DATED: New York, New York
July 1, 2014

FL 6801 SPIRITS LLC, ET AL.,
Debtors and Debtors in Possession,
By their attorneys,
TOGUT, SEGAL & SEGAL LLP
By:
/s/ Frank A. Oswald
ALBERT TOGUT
FRANK A. OSWALD
LARA R. SHEIKH
One Penn Plaza, Suite 3335
New York, New York 10119
(212) 594-5000

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COMMERCIAL & INDUSTRIAL PROPERTIES (300)

New York State 369

NYS PUBLIC AUCTION
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1337 Eagle Heights Rd.
Summit, NY
Schoharie County
Former correctional facility improved
with 28 +/- bldgs
totaling 62,700 +/- sq.ft.
on 19,916 +/- acres
Open Houses
July 16 & 25 & August 12
11:30am-1:30pm
For complete info
NYS-GCS318-474-2195
www.nyvssale.com

³ The Debtors consist of the following entities: FL 6801 Spirits LLC ("Spirits"), FL 6801 Collins North LLC ("6801 North"), FL 6801 Collins Central LLC ("6801 Central"), FL 6801 Collins South LLC ("6801 South"), together with 6801 North and 6801 Central, the "Collins Subsidiaries").

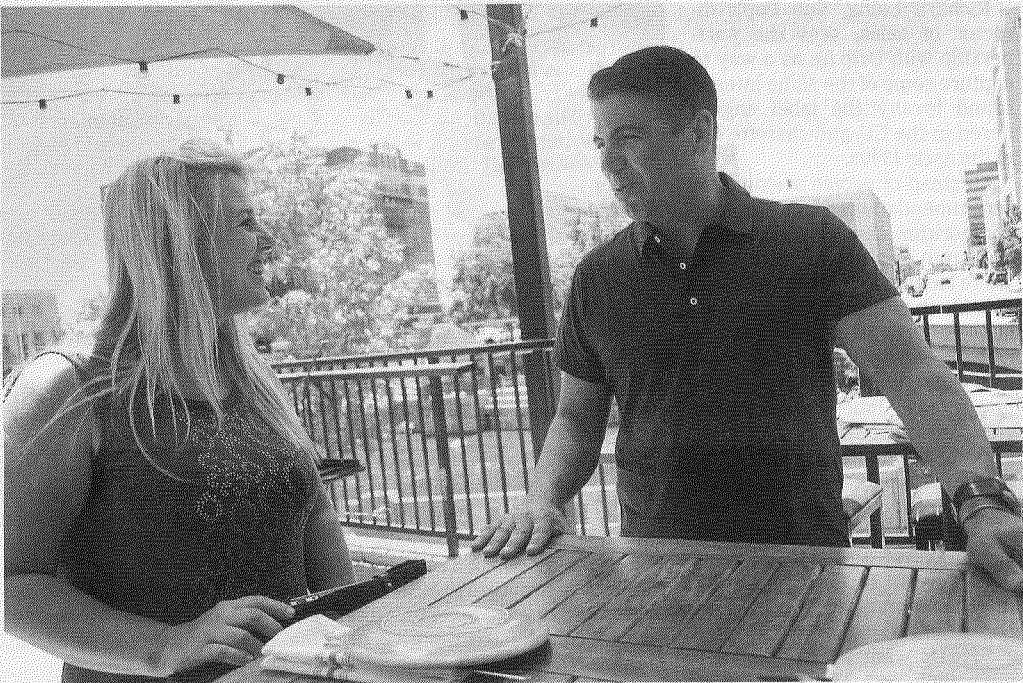
Reno is among the best situated, less than a four-hour drive from San Francisco and in a state with no corporate or inventory taxes. It gained appeal as an outpost of Silicon Valley nearly a decade ago after a Microsoft licensing unit and an Amazon distribution warehouse moved in. California refugees were buying homes, lured by the relatively low cost of living and the 30-minute drive to Lake Tahoe.

Then came the Great Recession, walloping Reno's gambling industry, and its housing and job markets. At the end of the recession in 2009, homes had lost nearly half the value they had in the beginning of 2006, and median prices continued to fall. At its depths in September 2010, Reno's unemployment rate was 13.4 percent compared with the national average, 9.5 percent, according to Moody's Analytics.

But now, after several years scraping along the bottom in almost every measure of economic health, Reno appears poised to turn the corner, according to economists who study the region. Housing prices are slowly starting to rise. The unemployment rate has declined to 7.1 percent. New technology companies are arriving, and older ones are expanding, including Zulily, an e-commerce company for women and children's clothing and home décor, which announced plans in May to double its warehouse and hire 600 people.

Most of all, civic boosters are on edge waiting for Tesla, Elon Musk's electric vehicle company, to announce the location of its new battery factory that is expected to employ more than 6,000 people. Tesla has said it is considering Nevada, Texas, California, Arizona and New Mexico.

Reno is not far from one of the few lithium deposits in the country, it is relatively close to Fremont, Calif., where the vehicles will be assembled, and its indus-



Abbi Whitaker, owner of the Abbi Agency, who helped create a campaign to reshape Reno's image, and Mark Estee, a chef, at Campo, his restaurant along the Truckee River downtown.

trial park has tens of thousands of acres of land for the auto company's new expansive factory. Tesla officials did not respond to requests for comment.

"There are solid reasons to be optimistic about Reno," said Greg Bird, an economist at Moody's Analytics. "We're starting to really see the data turn for them."

Reno competes for new businesses with Salt Lake City and major cities in Arizona, all of which are convenient for online retailers to set up shipping locations for customers in California and the rest of the West. In Tucson, Duralar Technologies, a global nanotechnology company, announced in March that it planned to set up its United States headquarters there.

Boise has increased its marketing to lure new technology companies and has drawn several start-ups in recent years, said Clark Krause, executive director of the Boise Valley Economic Partnership. The organization emphasizes its outdoor lifestyle on its website.

It is not a simple climb back from the depths of the recession for these cities. Nearly all are constrained by a shortage of skilled workers to fill the jobs created by companies their econom-

ic development offices are trying to attract.

"We have the same challenges everyone else does when it comes to finding enough talent to grow as much as we could," Mr. Krause said.

In Reno, where many workers traditionally have been employed in some aspect of the gambling industry, the work force is less educated than in more populous cities, economists said. Tesla, for instance, might have to recruit from elsewhere to find enough trained workers for its battery plant, should it decide to build here.

"We're not going to wait for the gaming industry to come back," said Mike Kazmierski, president of the Economic Development Authority of Western Nevada. "It's not going to. So what are our strengths, and how do we capitalize on them?"

Mr. Kazmierski is encouraging Reno to prepare for the new kinds of companies his team is wooing. A major part of his strategy is just up the hill from Reno's casino strip: the University of Nevada, Reno. The campus of 18,000 students has traditionally not played a major role in the city's economy and is physically separated from the rest of town

by Interstate 80. Students often earn their degrees and leave.

But now, the university is starting to work with Mr. Kazmierski's team to make sure students are trained in specific skills or even the languages needed by companies looking to settle in Reno. The university created an on-campus office space this

A city laid low by the recession carefully charts its ascent.

spring for an Australian drone company that decided to open a research outlet in Reno, one of a handful of locations the federal government has selected for testing unoccupied aerial vehicles.

Separately, the university just announced plans to take over an empty downtown building that will house a center for drone research, a student welcome center and a coffee shop.

Mr. Kazmierski outlined his vision on a recent morning driving down Reno's casino strip, past the Showboat Inn, the pay-by-

the-week motels and signs advertising \$5.99 prime rib and fries. Towering old casino buildings could be turned into student dormitories or condos. Storefronts could house technology companies. The new drone research building could host an incubator space for businesses.

For companies, the region's chief draw is its lack of taxes. But the location has other advantages. Reno is less than a two-day drive to anywhere in the West, an advantage for shipping companies.

And there is no shortage of land ready for development. Outside town, along miles of scrub desert, large manufacturing centers, distribution centers and office parks already have moved in and more are on the way. The area is so expansive that wild horses roam among the warren houses. Surveyor stakes mark new developments, and fire hydrants sprout seemingly in the middle of nowhere.

Three years ago Reno and its neighboring town Sparks averaged four tours a month for prospective companies. Mr. Kazmierski said that had increased to 10, with scouts from 14 companies visiting in May.

"The most challenging obstacle to get over is our image," he said. "That image of a second-kind of Vegas is embedded in their heads."

Visiting executives are surprised to learn that the Truckee River cuts through downtown where a restaurant scene is emerging. Bike paths wind through the city and beyond, and urban gardeners raise chickens in their backyards. A new downtown boutique hotel has no casino. Instead, its main feature is a 164-foot climbing wall.

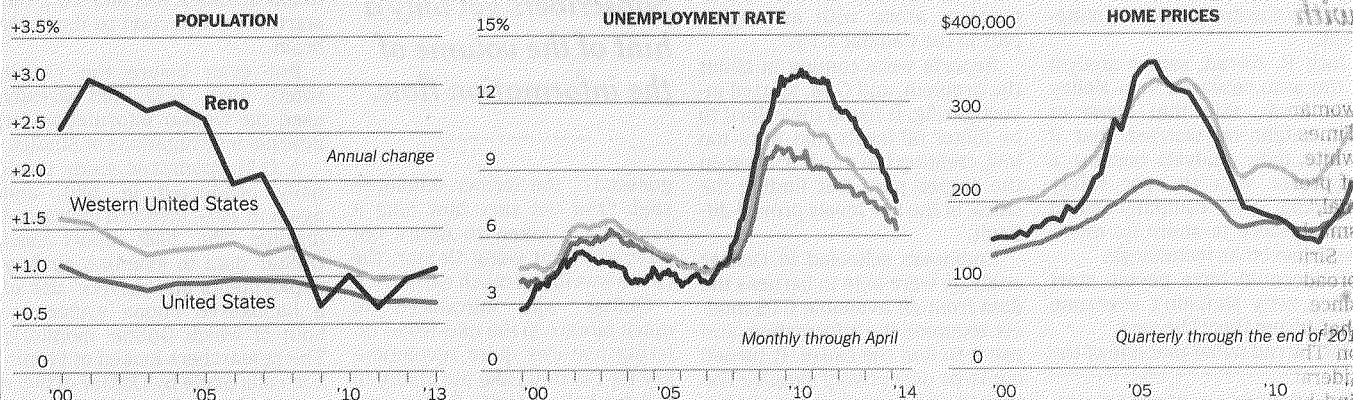
The Reno Collective, also in Startup Row, offers a shared work space to foster entrepreneurialism. On a recent day the office was filled by young people tapping on laptops, some sitting on exercise balls, and one with a dog curled around her feet.

In the same building, Eric Jennings set up his company, Pincio, two years ago, making tiny radio sensors for enabling Internet connectivity.

"There's such a low barrier to entry here," Mr. Jennings said. "If you're passionate about something you can just take on."

A Slow Turnaround

Reno, Nev., which is heavily dependent on the gambling industry, had a more severe downturn than other parts of the country. But as the area attracts new employers with its convenient location and low taxes, the economy is starting to recover.



Source: Moody's Analytics