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At Large

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Legal Counsel

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Randy Gordon

Long Beach Area Chamber of Commerce

Chairman's Message

Chamber Members Should Tap into Local Resources During a Challenging 2009

Blake Christian
Partner, Holthouse
Carlin & Van Trigt LLP



2008 will go down as one of the most challenging financial environments in the last century. With the stock market indexes hitting 10-year lows, intra-day swings approaching 1,000 points, and the credit markets moving from free-flow in prior years to frozen in 2008, business owners are being forced to re-evaluate every aspect of their business operations—as well as their personal financial planning.

Since the worldwide economic recession is predicted to last until at least the 3rd quarter of 2009, long-term changes are necessary for every business owner, executive and business manager.

Examples of areas where business owners are looking to improve operations include:

- Review of client/customer profitability and re-setting pricing for, and/or culling low-profit clients/customers, and expanding services to higher profit clients/customers.
- Increasing targeted marketing and fine tuning "messaging" to prospects to stress the value/cost-benefit of the product and/or services being offered.
- More closely monitor employee performance and metrics. "Right Size" employee head count, and take the opportunity (with

increasing unemployment) to upgrade the quality of employees.

- Analyze debt and equity structure of business operations to ensure longevity. Lenders are constantly changing standards and loan terms, and alternative financing options may be necessary. Pay down high note debt when possible, but it may be wise to retain lower rate term debt and outstanding lines of credit.

"While the current business cycle will be longer and more challenging than most of us have ever seen, with proper planning and flexibility, the savvy business owner can actually thrive."

- Review investment and foreign exchange rate expenses.
- Evaluate the cost-benefit and structure of employee benefits, including medical insurance, auto allowances, travel & expense allowances/reimbursements and 401(k)/retirement plan funding. In addition to re-evaluating vendors, business owners are evaluating whether to shift some percentage of medical costs and other benefit funding to their employees. Overall costs can also be reduced by more tax-efficiently structuring benefits through a "cafeteria plan," Health Care Savings Account (HSA),

or an "accountable" employee reimbursement plan.

- "Benchmark" profit ratios and expense items against other businesses in the same industry in order to improve cost effectiveness. These statistics are available through the 10-Q's and 10-K's of public companies, as well as subscription services such as RMA www.rmahq.org/RMA/, Hoovers www.hoovers.com.
- Access strategic planning advice from paid consultants or from free or low-cost resources such as the City's Economic Development Department www.longbeach.gov/ecd/default.asp (562) 570-3800 or the LB City College/Small Business Development Center <http://lbsbdc.lbcc.edu/> (562) 570-4574.
- Access local, trained and cost-effective employees through Long Beach-based Pacific Gateway www.longbeach.gov/cd/workforce/ or (562).570-WORK, which can supply entry level youth and adults for part-time, full-time or special project assignments. These employee candidates are virtually all eligible for valuable federal (up to \$2,400) and State Enterprise Zone (up to 12,500/yr) hiring credits. These credits can reduce an employers' after-tax cost of these employees to less than 50% of the hourly wage paid to the employee.

While the current business cycle will be longer and more challenging than most of us have ever seen, with proper planning and flexibility, the savvy business owner can actually thrive.