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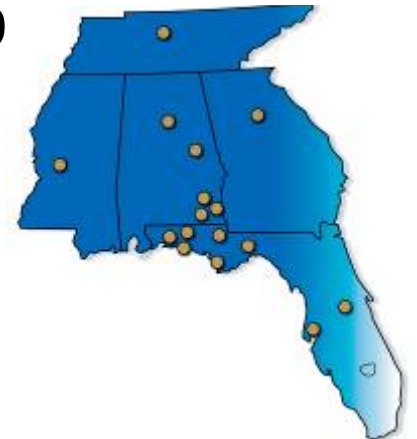
CRI – The State of the Economy 2008

**Certified Public Accountants
& Business Consultants**



Background & Participation

- Online polling – over 280 completed responses
 - Verbatims and open-ended responses captured
 - Confidentiality of individual responses assured
- Polled CRI clients, business associates and opinion leaders, primarily across the Greater Atlanta Metro Area
- Probe areas included:
 - Economic outlook for remainder of 2008 and 2009
 - Drivers of economic conditions
 - Staffing plans and growth expectations
 - Challenges facing their organization





Executive Summary

- More than half of survey participants consider themselves pessimistic and see the US economy as worsening
 - Nonetheless, more than 70% plan to maintain current staffing levels in 2009, and those planning to add staff outnumber those planning to reduce employment by a 3:2 margin
 - More than half see their revenues increasing in 2009
- The credit crisis and housing market contraction are credited as having had particularly adverse impact on business in the region
 - Respondents want lower interest rates to stimulate business investment and expansion





Executive Summary *continued*

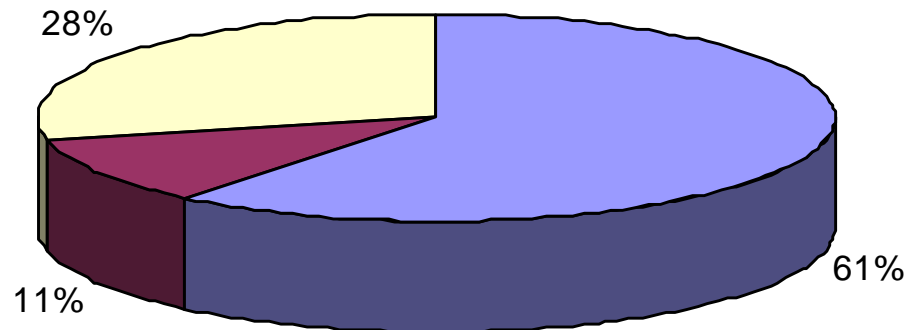
- Cuts in capital spending, travel restrictions and hiring freezes have been implemented already to deal with the economic malaise
 - Pay freezes and further spending cuts are planned as the doldrums drag on
- Top challenges articulated by participants as facing business today are the need to increase customer demand, rising healthcare costs and escalating benefit costs





Survey Participation

- Participants in the survey were roughly 61% clients of CRI and 39% business associates or other professional acquaintances; participants are primarily spread across the Greater Atlanta Metro



■ Client of CRI ■ Business associate of CRI ■ Friend of the firm



Industry Representation

- Industry representation was wide-ranging, with professional services, financial services, NFPs, manufacturing and real estate well-represented

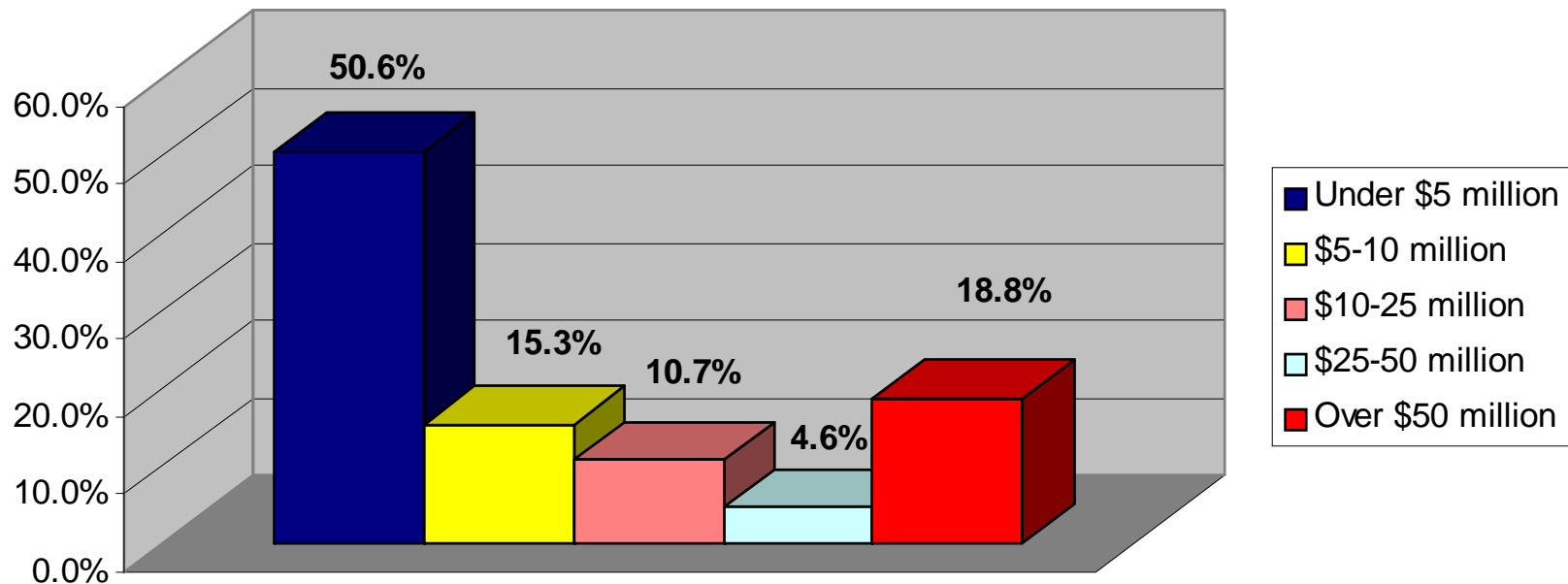
Construction	6.5%
Distribution/Logistics	5.7%
<i>Finan. Svcs./Insur.</i>	7.7%
Financial Institution	5.0%
Healthcare	3.8%
Manufacturing	7.3%
Non-Profit	7.3%
Professional Services	16.5%
Real Estate	7.3%
Retail	5.0%
Restaurants/Hospitality	1.5%
Technology	3.8%
Telecom	1.5%
Utility	0.0%
Other	21.1%





Organization Size

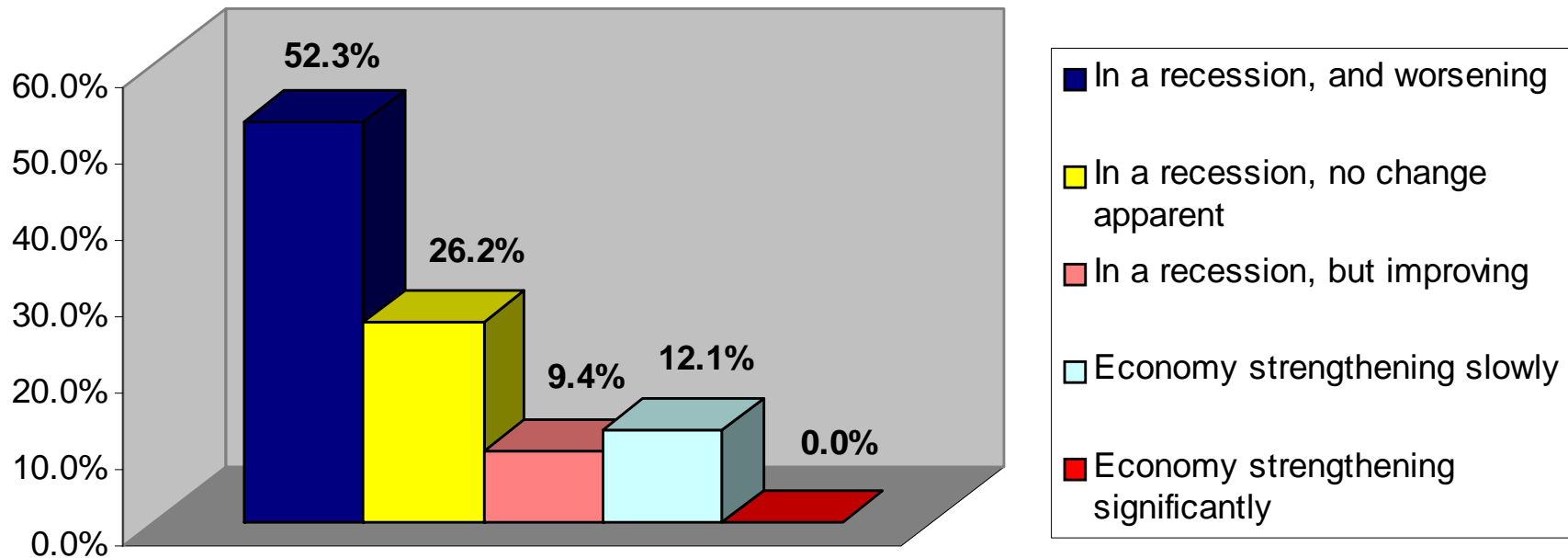
Businesses of all sizes are represented, split almost equally between <\$5 million and >\$5 million in annual revenues





State of the US Economy

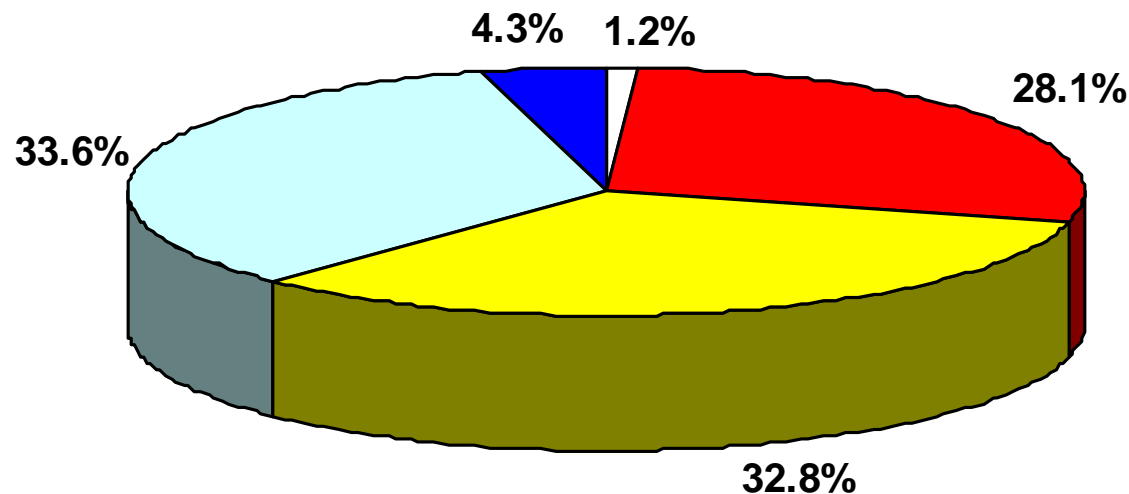
More than half believe that the state of the economy is worsening; only 21% believe it is improving





Outlook of Participants

- More participants are pessimistic than optimistic about the outlook for the economy, while one third take a “wait-and-see” approach

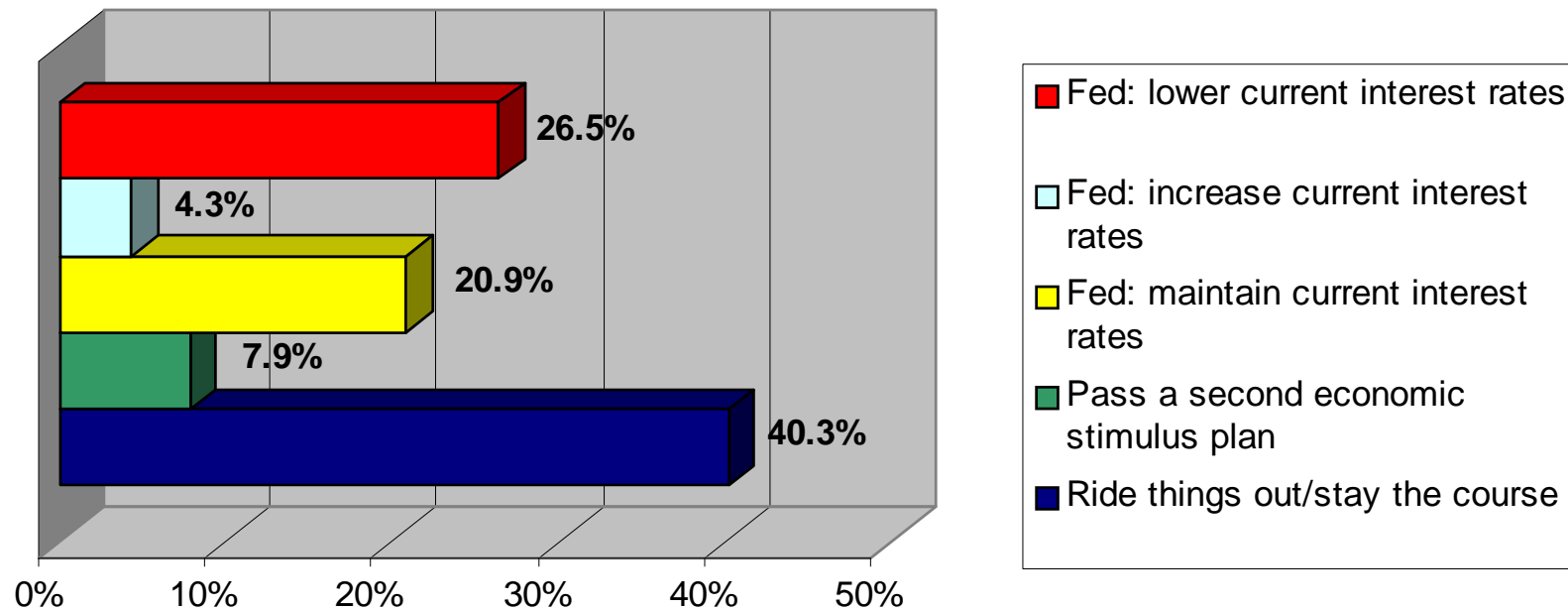


□ Very optimistic □ Optimistic □ Neutral □ Pessimistic □ Very pessimistic



Helping the Economy Recover

- Lowering/maintaining low interest rates, and “riding it out” are preferred courses of action





Your Thoughts: *Aiding Recovery*

*“Fed govt. should cut costs and quit bailing out businesses that made **unsound** financial decisions...”*

*“A broad based tax cut in corporate and personal rates would **stimulate the economy** and limit funds available for increasing government spending.”*

*“The risk takers have to take their **losses**, learn their lessons and let the **free market** sort things out...”*

*“Major **overhaul** of the regulatory system to include extensive Wall Street oversight...”*

*“Fundamental availability of credit... need a mechanism for buying up troubled assets so financial institutions can really assess what's on their balance sheets and **begin lending again**...”*



Top Issues Impacting Economy

- The housing slowdown, the credit crisis, and surging energy costs are identified as issues having greatest impact in the last 24 months *(scale of 1-5 with 5 being of greatest impact)*

The housing slowdown	4.60
The credit crisis	4.44
Increasing energy and fuel prices	4.34
Rising trade deficits	3.23
Rising unemployment	3.16
Inflation	3.02
Uncertainty over Fall elections	2.83





Addressing Energy Prices

- By a wide margin, respondents advocate increasing incentives for alternative energy development and opening up new land for drilling to address surging energy costs

Increase incentives for alternative energy **83.7%**

Open up land/offshore locations for drilling **79.6%**

Restrict speculative investment 36.3%

Do nothing, market will adjust itself 23.7%

Other 22.9%

Release oil from strategic reserve 21.2%

Waive federal gas taxes temporarily 19.6%

Adopt measures to restrict consumption 13.1%



Your Thoughts: *Energy*

*“All House and Senate Members should **resign**...”*

*“A national energy **policy** ... to relieve the US dependency on foreign oil.”*

*“Amazing that we are the most powerful, industrialized country in the world yet we **rely heavily on our enemies** for our energy...”*

*“Have **Iraq** pay US back with oil or money - that would probably take care of \$700 billion trust, social security and health care...”*

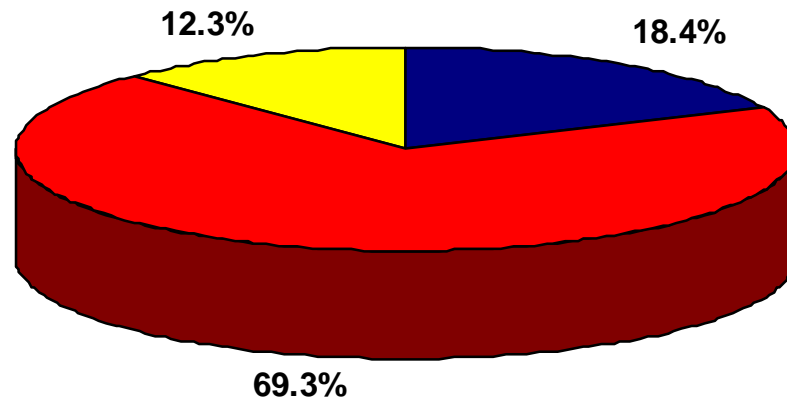
*“Remove any restrictions that hamper the development of **alternative fuels** and infrastructure...”*

*“Promote programs that **educate** individuals on conservation, and provide companies with **incentives** for promoting telecommuting...”*



Employment Expectations

- Despite their pessimistic outlook on the economy, nearly 70% expect to maintain current staffing levels; of those expecting change, those planning to add staff outnumber those planning to decrease staffing by a 3:2 margin

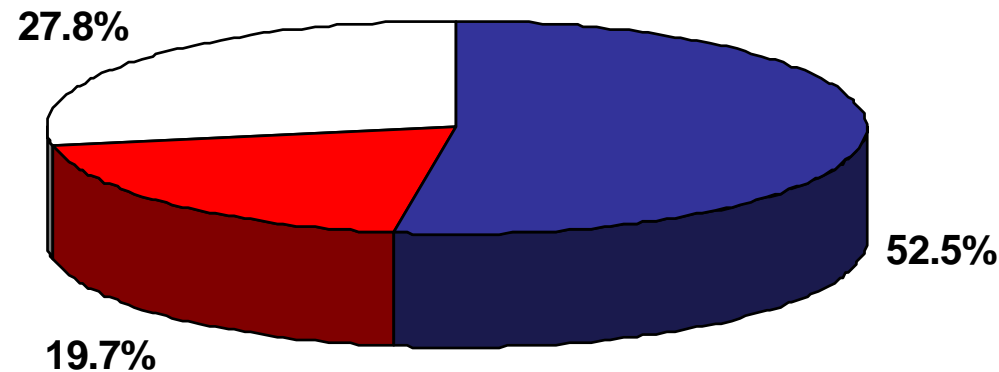


■ Expect to increase staff ■ Remain stable/no change ■ Expect to reduce employment



Sales/Revenue Expectations

- More than half of respondents anticipate revenues will increase in the coming year, while 1 in 4 expect a revenue decline
 - 29.5% of respondents expect sales *increases* of >6%
 - 14.3% predict a sales *decline* of >6%



■ Revenues will increase ■ Expect no change □ Revenues will decline



Responses to the Downturn

- Actions already taken to deal with the economic slowdown include cuts in capital spending, travel restrictions and hiring freezes
 - Further cuts in capital spending and pay freezes are viewed as most likely steps still to come by their organizations

	<u><i>Have Taken</i></u>	<u><i>Will Take</i></u>
Pay freezes	16.7%	23.9%
Capital spending cuts	27.8%	23.8%
Travel restrictions	26.8%	19.7%
Hiring freezes	25.6%	13.3%
Layoffs	17.2%	11.2%
Outsourcing	9.8%	10.2%
Other	13.1%	9.5%
Facility closings	8.2%	2.9%



Your Thoughts: *Dealing with the Downturn*

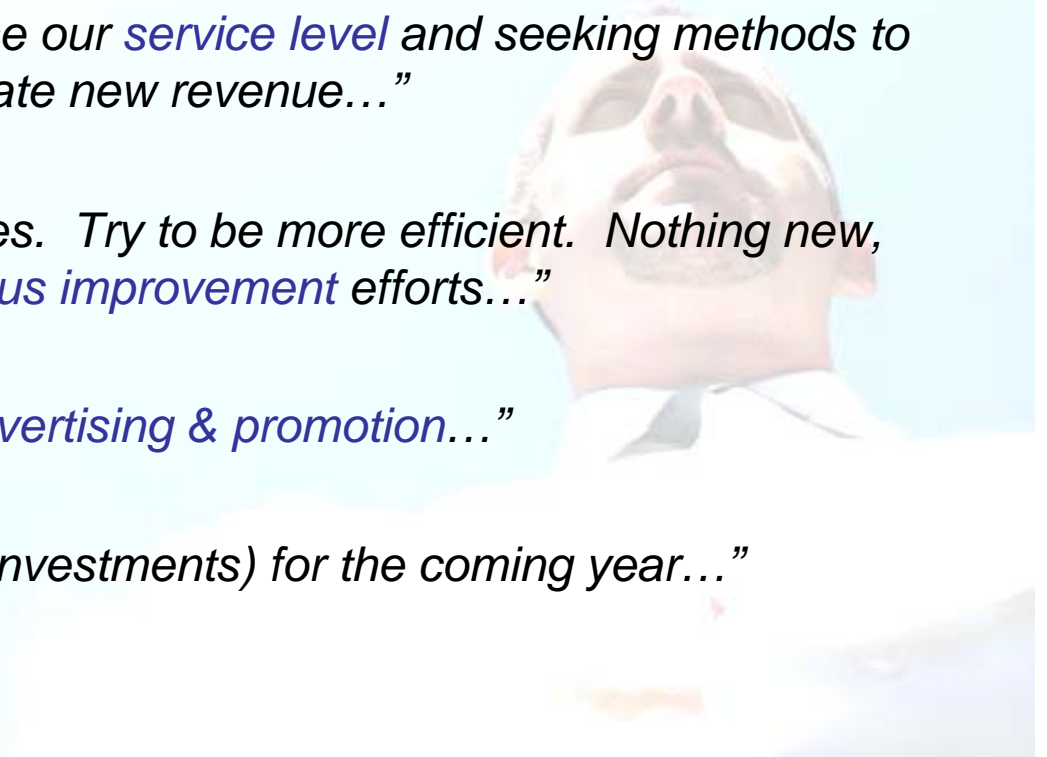
*“We’re improving **efficiency**, and introducing new technologies...”*

*“Redoubling our efforts to increase our **service level** and seeking methods to generate new revenue...”*

*“Eliminate unnecessary expenses. Try to be more efficient. Nothing new, just **continuous improvement** efforts...”*

*“Increasing **advertising & promotion**...”*

*“**No increases** in (capital investments) for the coming year...”*





Most Significant Challenges

- When asked to rank the 3 most significant challenges facing their organization today, respondents cited:

<i>Customer demand</i>	39%
<i>Healthcare costs</i>	32%
<i>Employee and benefit costs</i>	28%
<i>Availability of skilled personnel</i>	27%
<i>Receivables collection</i>	26%
<i>Energy/fuel costs</i>	26%
Materials and supply costs	24%
Tightened credit	18%
Access to capital/cost of capital	15%
Weak U.S. dollar	15%
Regulatory requirements	13%
Corporate tax burden	11%
Staff turnover/retention	9%
Liquidity	8%
Foreign competition	5%





Your Final Comments

*“The economy is much better than the **media** would like for you to believe...”*

*“**Tax policy** has to change long term.”*

*“The financial and credit markets are my major concern. Economic recovery depends on the ability to re-invest. That takes **access to credit**.”*

*“2009 will most likely be a very challenging **holiday season** for retailers.”*

*“It seems like an **economic house cleaning** was long overdue for our country. Our politicians should be more interested in representing their constituents than getting re-elected...”*

*“I hope the **American Dream** never ceases to exist but I am worried that it just might.”*



In Summary

- While participants are pessimistic in many respects, ***they have confidence*** in the resiliency of the American business economy
- More than half expect to *increase* revenues in 2009 despite the challenges, and more *expect to hire* additional workers than expect to reduce employment (by a 3-to-2 margin)
- *Increasing customer demand* and managing escalating health, benefit and energy costs are the most critical challenges voiced by survey participants



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Certified Public Accountants

Introducing CRI

- Founded 1997, with roots extending to 1976
- 16 offices in GA, FL, AL, MS and TN
- Accounting, audit, tax, consulting, SEC services
- "Top 40" firm nationally, top 4 southeast
- More than 500 talented, creative associates



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Our Services

- Accounting and Auditing
- Tax Strategy and Preparation
- Business Consulting, M&A
- Financial Planning
- Asset and Business Valuation
- Litigation Support
- Information Technology
- SEC/Sarbanes-Oxley Compliance
- Forensic Accounting



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Our Industries of Focus

- Architecture & Engineering
- Construction
- Financial Institutions
- Financial Services
- Franchising
- Healthcare
- Manufacturing & Distribution
- Non-Profits
- Professional Services
- Real Estate
- Restaurants/Hospitality
- Retail
- Technology



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