April 1989

Inland Empire Business Journal

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Commuter Rail to O.C. Proposed

The Orange County Transportation Commission is currently formulating a plan to construct a commuter rail line between central Orange County and Riverside. Eventually the line would be extended all the way to San Bernardino. The plan has already received the support of the Riverside County Transportation Commission.

Planners foresee an initial daily ridership of approximately 5,000 passengers, growing to at least 8,000 by the year 2010. The earliest feasible date the commuter line, which would run on the Santa Fe tracks paralleling the 91 Riverside Freeway, could be completed in 1993. Four inbound trains would run each morning at 20-minute intervals, and four outbound trains on a similar schedule.

Wanted: New Commuters

As the Norton closure nears, it must be a local area from the rest of the community. Spending by primary job holders, money to an area from the rest of the valley will be hurt by the loss of the Gold? from the Norton closure, it must be spending on primary jobs. No one who has spent supported "secondary" jobs and brought "primary" jobs to the local area. Many secondary jobs will be lost.

Spending Loss: $61,000

The Norton closure will be caused by the loss of the Gold. Spending will be $208,173,000.

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HEALTHCARE
HMO's are alive and well despite collapse of several big name programs. Page 21

COMMENTARY
From Howard Snider, Ontario Mayor. Page 13

REAL ESTATE
Toxic Waste. Page 8

Scott Grubert, corporate real estate advisor, takes an in-depth look at who should be liable for toxic waste cleanup.

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The process can yield high profits for a company, or result in tremendous cost and failure. A "how-to" on the different ways to go public successfully.

ECONOMICS
Survival Guide Page 3

Economic indicators point to a recession within a year. An Ontario CPA firm gives a six-step strategy to prepare business owners for the economic backslide.

MORENO VALLEY
Second Moreno Valley Economic Conference. Page 5

One of the growth hotbeds of the Inland Empire is getting even hotter.

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Purchasing the system that best suits your company's needs.

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A Washington D.C. company has introduced a new monitoring system that can save workers back on the job much faster. The new system is saving companies millions.

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FOREIGN BUSINESS
Speaking Japanese Page 6

Business success in a foreign country begins by establishing a solid command of the country's language.
Economic Indicators Point to Recession Within Year

Inflation is reaching uncontrollable proportions. The economy is overheated. Interest rates are rising, and January’s price increase was the highest in two years. And to top things off, short-term government paper is yielding more than long term. According to economists, since the 1960s century these signs have indicated a coming recession. And to some economists, it is predicted to happen within the next year.

The Federal Reserve Board has tried to counteract rising inflation rates by tightening credit. But Chairman Alan Greenspan has warned that if these signs hold, “a recession will move upon us much more quickly than we can imagine. And when it occurs, it will be a prolonged one.”

How do small businesspeople prepare for hard times ahead? Harvey A. Goldstein, Managing Partner of the Ontario CPA and Management Consulting firm, Singer, Lewel, Greenbaum & Goldstein, has a system designed to prepare business owners for economic backslide:

1. IDENTIFY SPECIFIC CAUSES FOR PROFIT LOSSES
2. TOLL-ROAD CONSTRUCTION
3. DROP IN PROFITS

When times are difficult, there is a temptation to blame a decrease in profits on the general recessionary environment. Business owners who do this fail to identify real causes of problems, which prevents them from finding the right solutions. Management should determine specific causes for profit losses now before the recession hits.

Managing Partner of SLC&G, Harvey A. Goldstein, presently serves on the Small Business Administration's National Advisory Council and was a Commissioner at the White House Conference on Small Business.

If a competitor has infringed on your market, start redirecting your sales efforts now. Curtail expansion of luxury markets unlikely to sell well during the recession, and emphasize your most practical products. Paul Batista, owner of Ontario’s Batista Automotive, a restorer of luxury cars, agrees. “I’ve got a Plan B in case times get bad.”

“We’ve diversified our company’s marketing approach. Now, in addition to restoration, we do minor repairs and maintenance, including tune ups. We expanded our capabilities to meet an increasing demand by the average collector.”

Frederick Leier, President of Southern California Container, an Ontario manufacturer of specialized metal containers, has also diversified. “Since a big proportion of our business comes from two customers, we realized we needed to expand our clientele to make ourselves less vulnerable.” Miller is now targeting the restaurant industry, traditionally dominated by plastic can companies. Business owners should also set up safeguards against employee theft, because there is a direct correlation between a difficult environment and misappropriations by employees.

3. BEGIN TO PARE DOWN INVENTORIES
4. ANALYZE YOUR COMPANY’S FINANCIAL STATEMENT
5. PREPARE FOR HARD TIMES AHEAD

Business owners should also set up safeguards against employee theft, because there is a direct correlation between a difficult environment and misappropriations by employees.

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5. MAKE CREDIT MANAGER USEFUL

Business owners should also set up safeguards against employee theft, because there is a direct correlation between a difficult environment and misappropriations by employees.

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Our inventory used to be too high, so now we’re more analytical in forecasting our orders.” Miller encourages his customers to anticipate purchasing needs a year in advance. If that’s not possible, the company does forecasts based on last year’s orders.

3. MAKE DISCRIMINANT CUTBACKS. It may be necessary during a recession to make cutbacks in expenses and in personnel. But management should plan carefully before making cuts where no cuts are necessary. Rather than layoff new employees, as is usually the case, the goal should be to reduce nonproductive personnel, regardless of department. Management could also identify the most marketable and profitable products, rather than developing new products that involve higher risk. And produce the profitable products as cheaply as possible.

4. MAKE CREDIT MANAGER USEFUL

Business owners should also set up safeguards against employee theft, because there is a direct correlation between a difficult environment and misappropriations by employees.

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South of the 91 Riverside Freeway, it’s essential for the Inland Empire to have a transportation corridor to Orange County and San Diego County all the way to the Coast. It may be necessary during a recession to make cutbacks in expenses and in personnel. But management should plan carefully before making cuts where no cuts are necessary. Rather than layoff new employees, as is usually the case, the goal should be to reduce nonproductive personnel, regardless of department. Management could also identify the most marketable and profitable products, rather than developing new products that involve higher risk. And produce the profitable products as cheaply as possible.

5. MAKE CREDIT MANAGER USEFUL

Business owners should also set up safeguards against employee theft, because there is a direct correlation between a difficult environment and misappropriations by employees.

Private Toll-Road Surprises Mayor ...

Continued from page 1

Business Journal, summed up the Marion County forecast this way: “It is not encouraging.”

Spear said, “We cannot live with any road — toll or otherwise, through our facility. We are the most active military facility in the United States. The First Marine Division is headquartered here consisting of 15,000 marines. It includes three infantry regiments each with three battalions. Right now we have only enough land to conduct maneuvers with one of those battalions at any given time.”

Spear said that representatives of the toll-road consortium had approached him with three separate routes through the base. “Two of the three went right through our high-explosives impact area.”

We cannot drop bombs on toll roads or near highways.” Spear emphasized that the base could not accept such a plan “without suffering a grievous impact to our mission.”

Lt. Col. Spears also expressed concern about the environmental effects of such a project. He has six endangered species federally protected on this base.” He said, “including the Peregrine Falcon, the Kangaroo Rat, and the Least Bells Vireo, a bird that inhabits willows. In addition, we have fifty or more buffalo roosting in the area and four pairs of nesting Golden Eagles protected by the State Wildlife Commission. People don’t realize how environmentally conscious we are here. There are sixteen Golden Eagles in San Diego County. We have half of them on our base.”

“We cannot drop bombs on highways,” comments Lt. Col. Spears of Camp Pendleton.

According to Mike Rogers, Forest Supervisor of the Cleveland National Forest, there are two major obstacles in the way of the toll road. Said Rogers, “The area that they have designated is established by Congress as a wildlife preserve. We don’t even know, at this point, how many endangered species of plants and animals inhabit that area. It would require a special Act of Congress to open that area up to such a project. To the best of my knowledge, Congress has never been willing to do such a thing in over 200 years.”

“Of course,” added Rogers, “it is a very complicated issue. As we move into the twenty-first century, we’re faced with more and more with the sort of issues here and we have to weigh the social benefits and the environmental effects. We’re more and more having to deal with the allocation of land as a very precious resource.”

John Meyer, Executive Director of the Transportation Corridor Agencies in Orange County, told south of the 91 Riverside Freeway. It’s essential for the Inland Empire to have a transportation corridor to Orange County and San Diego County all the way to the Coast.”

John Meyer indicated that legislation is now pending in Sacramento to authorize the private toll road. The bill, AB491, is being sponsored by 69th Assembly District Representative Nolan Frizzelle, a Republican whose district includes Huntington Beach and Fountain Valley along the northern coastline of Orange County. Mr. Meyer stated that Rep. Frizzelle introduced the bill, even though it does not directly impact his district because, “Nolan has a long history of supporting Libertarian causes.”

Whatever the outcome of the private toll-road plan, which is just now emerging from three years of almost total secrecy, the issue is certain to be a critical one for Inland Empire residents, businesses and government officials. Every level of government is already involved, and this proposal will now have to take its place along with many others in the ongoing search for adequate community transportation.
Table 1.-Impact of Norton Payroll losses on the E. Valley in (000).

<table>
<thead>
<tr>
<th>Category</th>
<th>Lost Payroll</th>
<th>Spent in So. California</th>
</tr>
</thead>
<tbody>
<tr>
<td>Military on Base</td>
<td>$19,223</td>
<td>51% $9,603</td>
</tr>
<tr>
<td>Military off Base</td>
<td>102,181</td>
<td>68% $69,492</td>
</tr>
<tr>
<td>Civilian</td>
<td>80,428</td>
<td>73% $58,712</td>
</tr>
<tr>
<td>BX/NAF Civil</td>
<td>5,638</td>
<td>73% $4,116</td>
</tr>
<tr>
<td>Non-gov Civil</td>
<td>703</td>
<td>73% $513</td>
</tr>
<tr>
<td>Total</td>
<td>$208,173</td>
<td>69% $142,627</td>
</tr>
<tr>
<td>Local Percent</td>
<td></td>
<td>90%</td>
</tr>
</tbody>
</table>

**EAST VALLEY LOSS** $128,364

Source: Norton AFB and SBCCU

1. Some of this payroll does not reach So. Cal stores. The $142,627,000 that does is found by applying the percent of local spending by each type of workers to their payroll. These percent allow for: saving and payroll deductions for all workers; BX/commissary, officer and enlisted club, and base mess hall privileges for all military; and on-base quarters for some military.

2. The E. Valley loss will be $128.8 million loss of local secondary spending: $75,2 to $75.8 million loss of primary base spending. Some of this lost spending will not be from the E. Valley. Based upon surveys, the E. Valley loss will be $75.2 million (90%) is spent in the E. Valley according to surveys.

3. The money E. Valley consumers spend in So. Cal, about $128,364 (90%) is spent in the E. Valley.

### Purchasing Primary Spending Loss:

**$21,902,000**

Norton’s closure will cause a $29,667,000 loss to So. Cal in primary base contract spending. Assuming construction and service workers spend 73% of their incomes, by sector these losses will be:

Table 2.-Impact of Norton purchases on So. California in (000).

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
<th>So. Cal Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constr Labor</td>
<td>$2,003</td>
<td>$1,609</td>
</tr>
<tr>
<td>Serv Labor</td>
<td>5,240</td>
<td>3,925</td>
</tr>
<tr>
<td>Constr Material</td>
<td>3,443</td>
<td>2,959</td>
</tr>
<tr>
<td>Serv Material</td>
<td>1,830</td>
<td>1,211</td>
</tr>
<tr>
<td>Commissary/BX</td>
<td>5,917</td>
<td>5,638</td>
</tr>
<tr>
<td>Education</td>
<td>1,345</td>
<td>1,211</td>
</tr>
<tr>
<td>Health</td>
<td>5,934</td>
<td>5,934</td>
</tr>
<tr>
<td>Temp Living</td>
<td>342</td>
<td>342</td>
</tr>
<tr>
<td>Other Supply</td>
<td>5,422</td>
<td>5,422</td>
</tr>
</tbody>
</table>

**Total So. Cal Impact** $29,667

Source: Norton AFB

Some of this lost spending will not be from the E. Valley. Based upon local spending patterns and types of outlets, the E. Valley loss will be $21,902,000:

Table 3.-Impact of Norton’s So. Cal purchases on E. Valley in (000).

<table>
<thead>
<tr>
<th>Category</th>
<th>So Cal</th>
<th>E. Valley Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constr Labor</td>
<td>$1,609</td>
<td>$1,469</td>
</tr>
<tr>
<td>Serv Labor</td>
<td>3,825</td>
<td>3,443</td>
</tr>
<tr>
<td>Constr Material</td>
<td>3,443</td>
<td>2,388</td>
</tr>
<tr>
<td>Serv Material</td>
<td>1,830</td>
<td>1,190</td>
</tr>
<tr>
<td>Commissary/BX</td>
<td>5,517</td>
<td>2,959</td>
</tr>
<tr>
<td>Education</td>
<td>1,345</td>
<td>1,211</td>
</tr>
<tr>
<td>Health</td>
<td>5,934</td>
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</tr>
<tr>
<td>Temp Living</td>
<td>342</td>
<td>342</td>
</tr>
<tr>
<td>Other Supply</td>
<td>5,422</td>
<td>5,422</td>
</tr>
</tbody>
</table>

**E. Valley Loss** $21,902

The total E. Valley primary spending loss, from payroll and contract spending, will thus be $128.4 + $22.0 = $150.4 million.

### Secondary Spending Loss:

**$75,178,000 to $112,767,000**

The final impact of Norton’s closure on the E. Valley will be $75.2-$112.8 million loss of local secondary spending:

Table 4.-East Valley Secondary Spending in (000).

<table>
<thead>
<tr>
<th>Category</th>
<th>Impact</th>
<th>Secondary Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Norton Sp.</td>
<td>$150.4</td>
<td>$150.4</td>
</tr>
<tr>
<td>Impact</td>
<td>50¢</td>
<td>75¢</td>
</tr>
<tr>
<td>Secondary</td>
<td>$73.2</td>
<td>$112.8</td>
</tr>
</tbody>
</table>


1. When Norton dollars are spent with E. Valley firms, they buy supplies and pay workers. Most supply money leaves the area as the local economy is not very diversified. However, the money paid to workers and owners stays and supports them.

2. The secondary spending impact occurs when, after saving and paying taxes, these local people in turn spend locally. While much of their money also leaves for supplies, some of it stays and supports a third tier of jobs.

This process continues until all of the primary money Norton brought to the E. Valley has left the area.

As the E. Valley is not very diversified, it is estimated that each $1.00 of Norton primary spending only creates from $.50 to $.75 in additional local spending before it leaks away. Hence the result.

### Total Norton Primary and Secondary Spending Loss:

**$225.5-$263.1 Million plus 2,750 to 3,200 secondary jobs.**

The sum of the primary Norton payroll and contract spending and secondary spending loss is $150.4 + 75.2 to $112.8 = $263.1 million. Since about $82,000 in sales supports one worker, this total spending loss means 2,750 to 3,200 fewer East Valley jobs. These unemployed people would be added to any base workers not employed elsewhere in the federal system.

### Wanted: 7,630 New Commuters!

If the E. Valley can add enough new income from outside the region to offset the $150.4 million primary loss from Norton’s closure, the secondary job and spending losses can be avoided.

Assuming no new primary private sector jobs, this can occur through an increased number of new commuters.

Commuter incomes, like Norton’s payroll, bring new primary spending to the E. Valley since they are earned elsewhere but brought home for spending.

Assuming the following about commuters:

Table 5.-Assumed commuter income and spending profile.

<table>
<thead>
<tr>
<th>Income</th>
<th>$30,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spending %</td>
<td>73%</td>
</tr>
<tr>
<td>Amount Spent</td>
<td>$21,900</td>
</tr>
<tr>
<td>E. Valley %</td>
<td>90%</td>
</tr>
<tr>
<td><strong>EV Primary Spending</strong></td>
<td>$19,710</td>
</tr>
</tbody>
</table>

An average commuter brings $19,710 in new primary spending to the E. Valley. It would thus take $150,356,000 / $19,710 = 7,628 new commuters moving into the area for the economy to exactly offset the loss of Norton.

### 2 Years 9 Months to Replace Norton’s Primary Spending

According to the Calif. Finance Dept. from 1985-1988, 50,352 people moved into the E. Valley, or an average of 16,784 a year. Assuming 3 persons per family thus is 5,595 new families. If 30% have one commuter, the valley is yearly adding about 2,797 new pay checks.

At this rate, it would take 2 years 9 months for the E. Valley to replace the lost Norton primary spending.

This result is cause for optimism as it assumes that none of Norton’s current staff will commute to March AFB. Some no doubt will as the current staff will commute to March AFB. Some no doubt will as the military aircraft wing and auditor general are relocating there.

For this analysis to hold up, it is important that the area’s transportation network be expanded to absorb the added commuter pressure.

Also, a key variable to watch is the mortgage interest rate which could rise high enough to slow growth and delay the commuter offset to the phaseouts.
Good morning, Moreno Valley

David Dixon, Moreno Valley’s City Manager, imitating Robin Williams, presented a resounding, “Good morning, Moreno Valley!” welcoming to approximately 450 attending the Second Moreno Valley Economic Development Conference at March Airforce Base.

Even prior to Dixon’s opening remarks, the guests, including developers, bankers, utility representatives, real estate brokers, engineering and architectural design firms, and other key business leaders, began to discuss their interests in the place now called Moreno Valley.

They came from as close by as Box Springs, which is next door to Moreno Valley, and as far away as Seoul, Korea. At one table alone sat nine businessmen from Orange County and Los Angeles, already looking for opportunities to expand their business operations in what has become one of Riverside County’s fastest growing cities.

The questions seemed not to center on whether there were opportunities in Moreno Valley but rather how to take advantage of the opportunities before someone else does. Questions abounded. Where do I start? Whom do I talk to first?

Dixon challenged the guests to “experience the new vision as you travel along... see the reality, the success... it is not just a mirage, not just a show-and-tell... it is really happening here in Moreno Valley.”

Dixon first took guests on a bus tour conducted by city officials and area business leaders around the 67-plus acres which comprise the city boundaries. Complete with a tour book tracing the route and information for guests to refer back to at a later point, the tour highlighted general efforts of promoting all types of residential, commercial and industrial development in Moreno Valley.

The tour was followed by a luncheon featuring noted economist Al Gobar, president of Alfred Gobar Associates in Brea, who presented a historical and current outlook on the economy of the Inland Empire and, more specifically, Moreno Valley. While he was most encouraging about continued population growth for the area, Gobar expressed a concern about the outgoing labor force and its effect on the economic base.

“What you currently have is a state of imbalance, whereby the job growth exceeds the economic base,” explained Gobar.

Gobar’s comments were well-validated in the city’s current efforts to woo manufacturers and other commercial and industrial businesses to its city. To date, six of the 15 major projects approved for development include plans for new job growth.

These projects, bringing approximately 6,000-plus new jobs to the area, include: Borneo International Furniture; Moreno Valley Auto Mall; Moreno Valley Hospital; Towngate, a mix-use development of commercial/retail and office space with a regional shopping mall; Festival at Moreno Valley, another mix-used project; and the Moreno Valley Community College Campus.

Should the Norton Air Base operations be moved to March Airforce Base, as is anticipated according to General Richard A. Burpee, Base Commander, additional job opportunities will be available to civilians in the area.

Realizing that even the reasonable prices for land development and home purchases in Moreno Valley might not lure some contented residents of coastal communities in Orange and Los Angeles Counties, key developers have planned marketing campaigns to address lifestyles. Their strategies include “community amenities” such as golf courses, performing arts centers, hotels, restaurants, hospitals and schools.

And as Dixon so aptly summed it up, “This is only part of the story... stay tuned for the rest.”

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**INLAND EMPIRE BUSINESS JOURNAL — Page 5**

April 17, 1989
Speaking Japanese Key To Success

Americans can dramatically increase their chances for business success in Japan and China by establishing a solid command of the country's language, according to a study by Professor John Frankenstein of the American Graduate School of International Management, known informally as "Thunderbird."

The survey asked U.S.-educated business people operating in Japan and China to list key issues in preparing assignments in the two countries. "You're only half communicating if you can't speak Japanese and have to use English," noted another American, "Speaking Japanese from the heart should be the goal of foreigners in Japan."

Of the respondents operating in Japan, 30 were North Americans and 20 were Japanese nationals. Slightly more than half were in the 35 to 55 age-range, with 62 percent having had at least five years of international business experience. About half were mid- and senior-level executives in financial services.

The China respondents were 26 Beijing-based business people with a comparable range of experience. Nearly 60 percent had overseas business experience before accepting their China assignment. Two-thirds of the group claimed to speak Chinese at the "working level" or better, and most had some background or training in Chinese studies.

Despite profound differences between Japan and China, the two societies share similar ideas about how foreigners can carve a niche for themselves in the unfamiliar Asian business world. The study notes that such suggestions focus more on behavior than business dynamics.

Besides underlining the need to learn the language, for instance, both Asian and non-Asian survey respondents stressed the importance of becoming familiar with cultural and social customs. They also emphasized the need for patience, commitment and a long-term perspective.

Mentally preparing for an inevitable culture shock is also considered business prudent. A 10-year veteran with a major Japanese trading company advises foreign business people "not to try (to) take (your) own culture into your business too much," while another Japanese executive counsels against being too aggressive.

The Thunderbirds study points out that educators preparing students for overseas assignments must choose an effective method of delivering training. Possibilities include integrating preparation programs into business curriculum, as part of feeder programs into more specialized business or professional programs, or in specialized "executive development" programs.

The study notes that foreigners shouldn't expect to be immediately accepted into the Asian business environment. Longevity is apparently a key element in gaining trust with Japanese business partners.
San Bernardino retail space continues record gains

Retail space inventory in San Bernardino continues to grow at a phenomenal rate, according to data compiled by the San Bernardino Economic Development Council. Retail inventory space in April 1989, expanded by 325,000 square feet in 1988, surpassing a 324,000 square foot growth in 1987.

Tyler, predicts that, "Development opportunities will focus on rehabilitating and remerchandising existing space and constructing traditional community and neighborhood centers in residential growth areas in San Bernardino.

Majestic Realty Acquires Ontario Site

The Archibald Business Center, including two industrial facilities on 16 acres of land, has been purchased by Majestic Realty Co., a local real estate developer. Neither Majestic nor the seller, Golden West Equity Properties Inc. of Newport Beach, disclosed a purchase price, however real estate sources estimate the property to be valued at $10 million.

Architectural Firm Opens Ontario Office

Ware & Malcolm Architects, owned by William E. Malcolm and William Ware, have opened a new office in Ontario at 3350 Lake Street.

Yorba Industrial Center Establishes New Trend

Yorba Industrial Center, a $9 million project developed by Majestic Realty Co., established a new trend for industrial parks by combining its executive offices with industrial space under one central location. Situated in Chino, the 12-acre project includes three buildings, one of which has been leased by Pacific Coast Laminates Inc. at 13971-13991 Yorba Avenue.

Fontana Industrial Site Purchased for $3 Million

The Sierra Gateway Commerce Center in Fontana has been purchased for $3 million by the Lincoln Property Co. of Irvine. The developer plans to use the 17.6 acres, located at Commerce Way and Santa Ana Avenue, to build four industrial buildings comprising 385,000 square feet of space.

Kline Center proudly presents a classic new 90,000 sq. ft. office building that image-conscious corporate tenants will love. Immediately adjacent to Ontario International Airport with high impact San Bernardino freeway visibility and access. Occupancy: Late 1989. Full commission available on a pre-lease.

Kline Center: Excellence in office design/on-site property management/full service executive suites available/300 room Clarion Hotel/Mari Callendar's Restaurant & Lounge. All in all, Ontario's Class A office environment.

Pricor signs memorandum of understanding to build Riverside Youth Center

MURFREESBORO, TENN. (PRN) — Pricor Incorporated (NASDAQ:PRCO), a Tennessee-based firm, has signed a Memorandum of Understanding with Riverside County to build and manage a school and treatment center for over 140 emotionally disturbed youth.

The agreement calls for Pricor to build a complex of buildings on 5.85 acres of land which will be owned by Riverside County. The terms of the Memorandum of Understanding, under which Pricor expects to receive $5.8 million per year, will be incorporated into a lease agreement with Riverside County for approximately 20 years. Final terms of the agreement are expected to be approved by the county this month.

Pricor will begin construction of a $3.3 million facility in four months. The campus will include residential cottages, counseling centers, playgrounds, an athletic field and a 24-classroom school.

It will be an open, unlocked complex that will house up to 116 boys and girls, ages 9 to 18. Sixteen of the 116 beds are to be assigned to children requiring treatment for drug and alcohol abuse. In addition, Pricor will manage six off-site group homes, each housing six youths.

Success Story:

5 stories, to be exact.

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In the past decade, federal laws dealing with contamination of a site by toxic wastes, hazardous substances and other materials, have created difficulties for all parties to a commercial or industrial real estate transaction. Purchasers, sellers, landlords, tenants, brokers, developers and lenders, as well as participants in corporate mergers and acquisitions all run the risk of financial and/or criminal penalties due to pollution liability. In recent years several states have become active in the environmental arena, introducing strict toxic wastes liability statutes which may operate independently or supplement existing federal law. The impact of the financial risk posed by these stringent measures has become a significant component of the real estate transaction.

The federal environmental laws most responsible for the dramatic change in the risk factor of commercial real estate transactions are the Resource, Conservation and Recovery Act (RCRA) of 1976, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA or SUPERFUND) of 1980, the RCRA Amendments of 1984, and the Superfund Amendments and Re-Authorization Act (SARA) of 1986. These complex federal regulations have governed hazardous materials for more than a decade, affecting both corporations and individuals who may be held liable for reimbursement for cleanup costs of a contaminated property. Additional legislation has been adopted by several states, with the “Massachusetts Superfund” and New Jersey’s Environmental Cleanup Responsibility Act (ECRA) imposing strict liability on owners or operators of sites involving hazardous substances. The California Senate Bill 245 recently enacted in January of 1988, requires sellers or lessees of commercial property to report suspected environmental hazardous wastes. This maze of federal and state regulatory schemes requires corporations and individuals to safeguard themselves from purchasing or leasing hidden environmental liabilities.

At risk is the prospect of not only cleaning up a contaminated site, which can be extremely expensive, but also the prospective buyer or lessee may be liable for damages to natural resources or to private parties. This provision of liability could result in exposure of corporate assets due to the fact that many insurance companies have pollution exclusion in their general liability policies. In order to minimize the risk of potential liabilities, the buyer or lessee to a real estate transaction should conduct an investigation well in advance of closing the transaction.

The level of investigation will depend on the participants involved in the transactions and their exposure to liability as well as the historical background of the site. However, at the very least, a buyer or tenant should conduct a preliminary investigation based on a few simple screening techniques. These include a walkover and visual inspection of the premises, detailed explanation of current and former manufacturing and other processes performed at the site, contact with federal, state and local environmental agencies to review waste incident reporting, and observation of operations conducted on adjacent land.

The visual inspection or site walkover of the premises and surrounding land is the first step where observations of the physical condition of the buildings may yield signs that a contamination problem exists. This inspection should note the presence of any solvent barrels, waste oil drums, leaking pipes, discolored foundations, loose or crumbling insulation materials (possible asbestos) and transformers. An effort should be made to inspect the condition of the roof to determine if it needs repairs that may expose an asbestos problem (government statistics indicate 750,000 building sites with asbestos problems). The out-of-door inspection should note evidence of some of the more obvious signs such as stained soil, buried barrels or drums, retention ponds, wells and underground tank vents or fill pipes, above ground tanks and the proximity of either surface or subterranean water courses. Investigations of current and former uses performed at the facility is a useful supplement to a visual inspection and can be obtained through available public public data sources such as local assessors records, building permits, and historical ownership records. Some federal and state agencies responsible for environmental compliance maintain computer data-base files on hazardous waste incidents. In reviewing this information, the buyer or tenant should keep in mind certain industrial and commercial activities, such as electronics manufacturers, foundries, metal fabrication, auto body/repair shops, and electroplating facilities have historically generated toxic or hazardous wastes. The possibility exists that adjacent areas to the premises have caused contamination; therefore, observation should be noted on the operations of these adjacent properties. If the prospective buyer or tenant detects any suspicious signs of contamination, the retention of a company whose expertise is evaluating the technical aspects of potential hazardous sites would be advantageous to the respective parties.

Finally, both buyer and tenant should seek protection from the seller or landlord respectively as it relates to each particular transaction. The buyer or tenant should clarify that seller indemnification obligations cover all toxic liabilities not caused by the buyer and that the lessee shall seek similar protection in negotiating its lease, particularly if warning signs exist of potential contaminants at a site.

The following is an example of such lease language protection that might prove helpful. However, an astute tenant will retain the services of a knowledgeable real estate attorney.

Indemnification by Lessor: Lessor shall indemnify lessee and hold it harmless against and in respect of:
A. Any and all losses, liabilities, damages (whether consequential or otherwise), penalties and expenses, however ("damages") arising under federal, state or local statute or common law, or any action promulgated pursuant thereto (past, present, or future) (collectively the "applicable laws"), as a result of or in connection with, or alleged to be as a result of or in connection with the following:
1) The handling, storage, use, transportation or disposal on or at the premises, prior to the commencement date of any hazardous substance, by or on behalf of lessee or its predecessors or any other person (whether authorized or unauthorized); or
2) The handling, storage, use, transportation or disposal, prior to the commencement date, of any hazardous substance by or on behalf of lessor or its predecessors or any other person (whether authorized or unauthorized) in connection with, the operations conducted at the premises; or
3) The handling, storage, use, transportation or disposal on or at the premises, in connection with the operations, after the commencement date of any hazardous substances conducted thereon, by or on behalf of lessee, in violation of any of the applicable laws, which is a continuation of facts existing prior to the commencement date, constituting a violation of such applicable laws: provided, however, that such indemnity shall not apply with respect to damages which result from any such facts constituting a violation, of which lessee has knowledge, beyond the time when the violation should have been terminated or remedied without material additional loss, liability, damage or penalty or expense to lessee; further, provided, that such termination or remedy shall entail material loss, liability, damage or penalty or expense, lessee shall nevertheless, upon the request of lessor, proceed in good faith, at the expense of either lessee, to effect such termination or remedy (it being agreed that lessee and lessor shall cooperate to avoid unreasonable or unnecessary disruption of the operation at the premises).

Grubert is a corporate real estate advisor with Charter Commercial Brokerage Company of Newport Beach which specializes in tenant representation.
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# The Largest Residential Real Estate Builders in the Inland Empire

## Ranked by 1988 Sales

<table>
<thead>
<tr>
<th>1988 Rank</th>
<th>Company Address, Key Officer</th>
<th>SALES IN MILLIONS</th>
<th>UNITS CONSTRUCTED IN 1988</th>
<th>Year-End Inven.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Lewis Homes Group of Coa. Upland Richard A. Lewis</td>
<td>370.8</td>
<td>330.0</td>
<td>2,300</td>
</tr>
<tr>
<td>2</td>
<td>Sunrise Co. Palm Desert William Bone</td>
<td>123.0</td>
<td>193.0</td>
<td>347</td>
</tr>
<tr>
<td>3</td>
<td>Forecast Mortgage Corp. Rancho Cucamonga James P. Priviti</td>
<td>63.6</td>
<td>130.0</td>
<td>720</td>
</tr>
<tr>
<td>4</td>
<td>Century Homes Riverside John Pavelak</td>
<td>58.3</td>
<td>75.0</td>
<td>600</td>
</tr>
<tr>
<td>5</td>
<td>Van Dale Development Corp. Riverside Michael B. Van Dale</td>
<td>50.5</td>
<td>110.0</td>
<td>462</td>
</tr>
<tr>
<td>6</td>
<td>Inco Homes Upland Ira C. Norris</td>
<td>49.4</td>
<td>69.5</td>
<td>432</td>
</tr>
<tr>
<td>7</td>
<td>Hillside Residential Inc. Lancaster Alain B. Rogier</td>
<td>48.0</td>
<td>70.0</td>
<td>360</td>
</tr>
<tr>
<td>8</td>
<td>Homestead Land Development Corp. Corona Richard L. Crook</td>
<td>45.0</td>
<td>75.0</td>
<td>350</td>
</tr>
<tr>
<td>9</td>
<td>Friedman Homes Inc. Rancho Cucamonga Paul Friedman</td>
<td>42.3</td>
<td>53.0</td>
<td>342</td>
</tr>
<tr>
<td>10</td>
<td>Heers (John C.) Inc. Colton William R. Heers</td>
<td>26.0</td>
<td>26.0</td>
<td>243</td>
</tr>
<tr>
<td>11</td>
<td>Jess Ranch Development Co. Apple Valley Bruce W. Gillam</td>
<td>22.6</td>
<td>22.8</td>
<td>226</td>
</tr>
<tr>
<td>12</td>
<td>Rancho Vista Development Co. Palmdale R. Gregg Anderson</td>
<td>22.0</td>
<td>40.0</td>
<td>110</td>
</tr>
<tr>
<td>13</td>
<td>S &amp; M Builders Co., Inc. Rancho Cucamonga Sherman R. Dennis</td>
<td>21.0</td>
<td>25.0</td>
<td>114</td>
</tr>
<tr>
<td>14</td>
<td>USA Properties Fund Inc. Pomona J. B. Brown</td>
<td>20.1</td>
<td>22.0</td>
<td>276</td>
</tr>
<tr>
<td>15</td>
<td>Golden State Investments Lancaster P. Mohanan</td>
<td>8.6</td>
<td>14.0</td>
<td>83</td>
</tr>
<tr>
<td>16</td>
<td>Quintessence Development Co. Riverside Joseph H. Quinn</td>
<td>2.8</td>
<td>17.0</td>
<td>18</td>
</tr>
<tr>
<td>17</td>
<td>Western Pacific Development Corona Mehan Ehsaihder</td>
<td>2.8</td>
<td>3.0</td>
<td>44</td>
</tr>
</tbody>
</table>

### Key to Residential Builders Roster

The name of each company is followed by its headquarters city and then by its principal officer. Sales figures are given for 1986 and have been confined to residential sales in Riverside and San Bernardino counties. Sales projections are for anticipated residential sales in the above-mentioned counties for 1989. The number of units constructed in 1988 includes units completed for sale during 1988 and is broken out by number and percent of each type of unit: single-family homes, apartments and condominiums (including units in planned unit developments). Inventory includes any units completed for sale that were unsold by the end of the accounting period.
New Riverside outpatient surgery center to open

David R. Barton, M.D., and Charles L. Brodhead, M.D., specialists in general, thoracic and vascular surgery, have purchased a building at 4275 Lemon Street, to open an outpatient surgery center within the next few months. Outpatient surgery is an increasingly popular cost-effective medical procedure. Coldwell Banker handled the purchase transaction of the building valued at approximately $2 million. Dr. Barton is former Chief of Staff at Riverside Community Hospital and currently serves on the hospital's Board of Directors.

Banking/Finance

Larry Sharp, president/CEO of San Bernardino County Central Credit Union, has been named president of the San Bernardino Area Chamber of Commerce. In addition, he also serves on the Board of Directors for Payment Systems, the California Department of Corporations Advisory Committee, the San Bernardino County Employees Retirement Board and the Norton Air Force Base Economic Development Committee.

Mary Carlson will serve as Bar­ stow branch manager of the newly-­renamed Community Credit Union (formerly San Bern­ardino County Central Credit Union). Carlson has been with the credit union since 1986. She is a business graduate of Barstow Community College.

Credit Union Relocates Branch Office

BARSTOW -- The San Bernar­dino County Central Credit Union has moved its Barstow office to 170 N. Yucca, and changed its name to Community Credit Union to reflect its broad service capability to Barstow residents and company employees. The office is still main­tained as a part of the San Bern­ardino County Central Credit Union Financial System.

The new two-story financial center, recently completed, houses both the Community Credit Union and Marine Corps West Federal Credit Union branch offices. Leasing space is currently available on the second floor.

Kasler Corp. Announces First-Quarter Results

SAN BERNARDINO
Kasler Corp. (NASDAQ: KASL) recently announced operating results for the first quarter ended January 31.

Net income for the first quarter was $757,000, or 11 cents per share, as compared to $577,000, or 11 cents per share, for the like period a year ago. Revenues for the quarter were $24,584,000, compared with $25,868,000 in fiscal 1988. Back­log at January 31, stood at $220 million, setting a new record for the company.

In reviewing operations, E. Robert Ferguson, president and chief executive officer, said net income for the quarter was impacted by flood damage on a canal construction project in Arizona.

Additionally, the company experienced, a 5 percent decrease in 1988 first quarter revenues compared to a year ago due to comple­tion of projects during the period coupled with entering the start-up phase of several new projects.

During the first quarter, Kasler was successful in obtaining two contracts from the State of Cal­ifornia Department of Transporta­tion on the Harbor Freeway in Los Angeles totaling $44,578,000.

Fleetwood Declares Regular Dividend

RIVERSIDE -- The direc­tors of Fleetwood Enterprises, Inc. have declared the company's regular quarterly cash dividend of 16 cents per share of common stock, payable May 10, 1989, to share­holders of record April 7.

VTI To Acquire United Surgical Corp.

SAN DIMAS -- Vision Technologies International, Inc. (NASDAQ: IOLS) ("VTI") announced that it has signed a letter of intent to acquire United Surgical Corp., a privately held Irvine distributor of phacoemulsi­fication systems used in cataract surgery.

The closing of the transaction is contingent upon several condi­tions, including the parties enter­ing into a definitive, long-form agreement and the performance of a favorable due diligence investi­gation of United Surgical Corp.

James W. Snyder, president and chief executive officer of VTI stated that, "This business combina­tion fits very nicely into VTI's growth plans. United Surgical Corp. represents a significant position in the growing small incision and phaco market."

Ophthalmology is the leading catego­ry of outpatient surgical proce­dures, accounting for 25 percent of the surgeries.

Riverside Complex Acquired by Koll Co., CIGNA

A joint venture between The Koll Co., and CIGNA Investments has resulted in the $20.3 million acquisition of the Marlboro­rough Square Business Park in Riverside.

The 18-acre property, including light industrial, multi-tenant office and retail space in 17 separ­ate buildings, is located near the intersection of Chicago Avenue and Spruce Street. The transac­tion was handled by Coldwell Banker Real Estate Services.

Colton firm monitors home sales

TRW Real Estate Market Infor­mation, a Colton based company, keeps track of property transactions in California and several other states. TRW Real Estate Market Information also sells statistical reports and lists of new homeowners. Sometimes their findings are quite startling. In February of this year, for example, 8% of all California home buyers paid straight cash with no financ­ing. "Some people just don’t have to worry about interest rates or qualifying for a mortgage," commented Robert Walker, a TRW Real Estate Market Information analyst.

Economic Indicators ...

Continued from page 3

implications of Company financial state­ments. Set up a system that will give you enough financial data to make effective business deci­sions. Even in good times, lack of proper planning is a major cause of busi­ness failure; in today's economic environment management must learn as much as possible about using and understanding financial accounting.

6. BE CAUTIOUS WHEN BOR­ROWING MONEY FOR CAI­TAL EXPENDITURES. Be careful not to abuse your line of credit by over-obligating yourself for capital expenditures. It may make sense to postpone major expenditures until the economy has improved— or to make purchases before interest rates rise. The main point is to carefully protect strong banking relationships by demonstrating sound business judgment and the ability to repay. Someday, you may require an important busi­ness loan, and the caution you exercise now may pay substantial dividends in the future. Says Batista, "We're aggressively paying down our debt now, because I'm not looking to get into a position where I have to borrow in the future."

Although certain economic fac­tors are beyond our control, by avoiding the mistakes discussed in this article you will spare yourself needless anxiety. Effective manage­ment can soften the impact of a recessionary environment and increase your chances for survival and success.

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INLAND EMPIRE BUSINESS JOURNAL — Page 11
Global Economy

In today's world, economic transcends geographical, linguistic and political borders to create what is often referred to as a "global" economy. History, however, must remind the politicians and the policy makers that "global" economy is an old chapter to be re-read and examined. It is instructive, as Michael Oiardsen wrote in "Forbes" to remember that the infamous Smoot-Hawley Act, which effectively closed U.S. markets to imports, helped bring on the Great Depression. As the world economy slumped, and America's trading partners retaliated, U.S. exports shrank from 6% of G.N.P. in 1930 to 4.3% in 1933. An estimated one million workers in export-related industries lost their jobs. The price of severe protection today could be a world recession and possibly another world depression. Either could cost more jobs than the protectionists could ever dream of.

Lester Davis, an international trade specialist at the Commerce Department, states that, out of $4 trillion, $1 billion of exports, there are 25,800 American jobs generated. He estimates 5.5 million Americans hold jobs that are linked to exports.

Robert Renuzi stated in the Foreign Trade Association of Southern California, before the 80's, rarely was a manufactured product imported into the U.S. in quantities sufficient to cause a government to concern itself. Our trade policy was based on an export market hungry for U.S. technologies and products. Twenty years later, we are just beginning to realize that we must now compete with the rest of the world...we must learn to compete and do it well.

With all the news about the U.S. trade deficit, we often overlook the fact that the U.S. is still the world's largest exporter of manufactured goods, second only by West Germany, and then Japan.

Robert G. Lees, President of Pacific Intertrade Corp., expressed his opinion in a published guest editorial, "As an exporter of a dedicated, full-time, full function, full service, full quality, full time, full service, full quality professional, I feel good about all this. Our pressure to level the playing field is working. Hopefully, in the future, trade barriers will begin to come down and the most innovative and productive manufacturers and service companies will win. When that day comes, I'm confident that American industries will hold their own. It is clear, however, that we cannot compete with one arm tied behind our back. We must keep the pressure on our trading partners and open our markets to our products and services. Our often-quoted economists can help out considerably by directing some of their criticism of protectionism to blatantly closed markets abroad. Taiwan's Vice Minister of Economic Affairs was quoted as saying recently, "We have become more flexible because of the American threat.' Let's keep the pressure on it's working." The House of Representatives has approved a bill introduced by Congressman Richard Gephardt that penalizes any country with "unfair" practices that runs a trade surplus with the United States and the Senate Finance Committee has approved a similar bill.

There are two sides to every issue, and this is vividly obvious when the trade deficit is discussed. Robert Z. Lawrence and Robert Litzenberg wrote in the Hart Business Review, "Japan's share of our total imports has hardly risen in the last six years."

There always have been those special-interest groups in favor of protectionism. There have always been words, bills, and laws both enacting and opposing protectionism. History has shown the effects of protectionism legislation.

There is only one answer to reducing the trade deficit. The U.S. must sell more goods and services to our trade partners. We must learn how to sell and be competitive, and we must learn NOW and we must learn FAST. Small and medium sized U.S. companies must become educated in foreign trade. Foreign trade is not only for the BIG U.S. companies. The small and medium sized company that wants to sell their technology and products must learn fast, overseas. Remember the old cliche, nothing happens until you make a sale? Well!

Commentary

"ECM 1992" The Challenge

By Robert Kemp

Thirty years ago it was an impossible dream. Twenty years ago the very first steps had begun. Ten years ago the European Common Market (ECM) was enough of a reality where the Inland Empire was busy adjusting to it. Within the last decade, the ECM has renamed itself "ECM 1992," and that is a date which may well constitute a monumental turning point in both European history and the conduct of world trade.

What does "ECM 1992" have to do with the Inland Empire? The answer is difficult to predict in its specifics, but certain in its magnitude. By December 31, 1992, twelve individual nations will be fully functioning as one economic level as if they were one nation, a nation of 322 million people with a GNP of over $4.2 trillion. Right now the United States has 241 million people with a GNP of over $4.4 trillion. The Inland Empire is the fastest growing area in the country right now, and will probably retain the distinction for the next decade. Inland Empire companies already do much of their business in Europe. When "ECM 1992" is in place, it will be much easier and cheaper to do business with Europe. When "ECM 1992" is in place, it will be much easier and cheaper to do business with Europe. Moreover, there is much to be gained if the Inland Empire firms already in foreign trade are able to supply our commodities cheaper than we ourselves can make it, better buy it with some part of the produce of our industry exported, and in doing so which we have some advantage.

Smith's maxim has come, over the years, to be known as The Law of Comparative Advantage. Do, in other words, whatever you can do best and you will profit.

As the Inland Empire faces the challenge of "ECM 1992," this would not be a bad way to start planning right now.
After 21 Years of Marriage, Ontario to File for Divorce from L.A.

Department of Airports

By Howard J. Snider, Mayor City of Ontario

Many questions have arisen about who exactly controls Ontario International Airport. Permit me to explain.

I was mayor back in 1967 when the City Council voted to enter into a Joint Powers Agreement with the city of Los Angeles Department of Airports (DOA).

The agreement took control of Ontario International Airport (ONT) out of the hands of the city of Ontario and into the lap of our neighbor to the west.

It was a good marriage at the time, with both partners benefitting by the union.

The “co-hyphenated” status ONT was granted following the merger by the federal Civil Aeronautics Board was paramount to the airport’s survival, allowing Ontario to gain immediate access to all airline routes servicing Los Angeles International Airport (LAX).

Without “co-hyphenated” status, it would have taken ONT many years to obtain the airline routes it offers today.

LAX enjoyed the “co-hyphenated” standing because it could use ONT as a fog-alternate airport.

Like many marriages that begin with high hopes but gradually decline, Ontario’s union with Los Angeles has not worked, thanks to two contributing factors.

Airl ine deregulation mandated by President Ronald Reagan in the early 1980’s has lessened the need for “co-hyphenated” mergers of two airports.

More important, though, is the DOA’s failure to pump the needed capital improvements into the Ontario airport that were set out in the Joint Powers Agreement.

Under the terms of the agreement signed in 1967, the DOA agreed to fund some $20 million in capital improvements at ONT within 19 years.

In addition, Los Angeles has continually promised us a new terminal. In fact, ONT’s latest promotional brochures call for terminal completion in 1992, but a recent newspaper article quoted the ONT publicist as saying it will be five years minimum before any “relief” could possibly be felt.

Currently, ONT handles nearly five million passengers annually in a terminal that is equipped to service two-and-a-half million. Passengers aren’t accommodated, their cars don’t fit in the parking lots, motorists wait forever in airport rush-hour traffic. For a city charged with providing emergency ambulance and fire services to the airport, we cannot continue to tolerate the traffic gridlock. It’s a threat to the health and well being of city travelers.

I believe it is in the best interest of my community that we file for divorce from the Department of Airports. It’s time our local airport, whose runways lie smack center in our city, is managed and controlled by Ontario.

It’s been 21 years since the merger with Los Angeles, and I’ve discovered that the DOA has done very little to improve the terminal.

Snider says, “I believe it is in the best interest of my community that we file for divorce from the Department of Airports. It’s time our local airport, whose runways lie smack center in our city, is managed and controlled by Ontario.” (Photo by Daily Report)

Except for expanding the ticket counter, baggage claim area and some minuscule remodeling, they haven’t come close to accommodating the growth at our airport. They not only haven’t accommodated for it, the DOA hasn’t encouraged it, either. The growth occurred in spite of them.

The airport is the principle catalyst that has built our Inland Empire to what it is today. ONT is crucial to our economic development, not only in Ontario but surrounding communities as well.

When I returned to the mayoral seat in 1986 after a 12-year hiatus and discovered that DOA was doing out these pie-in-the-sky promises, I had to do something. Especially given the fact that the department acquiesced to our neighbor city of Chino, which requested a new environmental impact report be completed before any expansion plans got off the drawing boards. That put the schedule back anywhere from 12 to 24 months, depending on whom you talk to at the DOA.

I went to the DOA board and I met with Los Angeles Mayor Tom Bradley to try and get the facts. Bolstered by Ontario’s business community, I appealed to the Department of Airports board to form a bilateral commission to study the feasibility of Ontario re-acquiring ONT.

I was flatly turned down, told by DOA that a committee would only allow Ontario’s window of opportunity to open that much wide.

No one has doubted my fierce determination on issues I believe are important to our community. I am going to get the information I need, with or without a committee.

A reputable bond counsel says the city of Ontario is capable of floating $200 million worth of bonds to build the terminal if Ontario owned the airport. And there’s question whether Ontario has the right to sell LAX for failing to abide by sections of the Joint Powers Agreement.

The community is tired of looking at white, glistening miniature models of our proposed new terminal. We’re tired of virtually having no control over our own destiny. It is in the best interests of both cities to part ways with an amicable divorce.

The time is now.

The Disarray in America’s Export Promotion Effort

By Thomas M. Rosenthal, Editor of Global Trade

America’s export promotion effort is seriously underbudgeted and in disarray. A lack of effective leadership in the U.S. Department of Commerce has left America without a well-coordinated and properly financed trade promotion strategy.

Despite patriotic statements over the last few years by top officials calling for increased U.S. exports to reduce America’s trade deficit, $132 billion, Washington has literally failed to put its money where its mouth is to fund the programs that provide U.S. firms with the tools to increase exports.

As a result, American firms are losing out on the opportunities presented by a lower U.S. dollar and the demand for high-quality American products in major markets ripe for U.S. exports.

A further result is that U.S. companies operate at a disadvantage against foreign competitors supported in key trading arenas by their governments’ better-financed and better-run export promotion.

These are the conclusions drawn from interviews with government officials and a Congressional report by the staff of the House Foreign Affairs Subcommittee on International Operations, chaired by Congressman Daniel A. Mica, Democrat of Florida.

A Commerce Department spokeswoman said the department was still evaluating the Mica report and that there would be no immediate comment, “We don’t know if it’s a known problem that needs to be addressed,” she said of the issues raised.

But it appears that newly appointed Commerce Secretary Robert A. Mosbacher is aware of the problems hampering U.S. export promotion efforts.

Continued on page 26
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Partial Settlement Reached in Kaiser Lawsuits Against Former Owners

RANCHO CUCAMONGA -- Kaiser Resources Inc., the reorganized successor to Kaiser Steel Corp., has reached a partial settlement amounting to more than $12.9 million with certain defendants in two of its lawsuits against former owners, directors, officers and advisors of Kaiser Steel Corp.

The lawsuit challenges the legality of certain transactions and property transfers undertaken during the period 1984 through 1988, following the leveraged buyout of Kaiser Steel Corp., and seeks recovery of the monies or properties involved and damages totaling more than $94 million.

The company contends that the 1984 leveraged buyout and subsequent transactions at issue in these cases were major factors leading to Kaiser Steel Corp., bankruptcy filing in February 1987.

Under the terms of the court-approved partial settlement, insurance carriers representing a group of former outside directors and officers have agreed to pay $12.3 million.

In addition, the company has reached settlements for $400,000 with Clifford V. Brokaw III, a former advisory director and investor in an entity that controlled Kaiser Steel, for $200,000 with Dean Witter Reynolds Inc., a former financial advisor, and for an undisclosed sum with Donaldson, Luftin & Jenrette Securities Inc., a former financial advisor.

Under the reorganized company’s business plan, it has leased the site of its inactive Eagle Mountain ore mine in Riverside County, a former property that allows for future development.

In addition, in a partnership with The Lusk Company, Kaiser will develop the approximate 900-acre site of Kaiser Steel’s former steel-making plant near Fontana in San Bernardino County as an industrial park.

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**INLAND EMPIRE BUSINESS JOURNAL**
April 17, 1989

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**OFFICE SPACE ONTARIO AIRPORT AREA**

<table>
<thead>
<tr>
<th>Building Name &amp; Address</th>
<th>Leasing</th>
<th>Building Size</th>
<th>Terms</th>
<th>Parking Spot Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>4351 E State Hwy</td>
<td>Jerry Cramer</td>
<td>2 stories</td>
<td>31,000 Sq Ft, 2 buildings</td>
<td>4,010 1,000 Sq Ft</td>
</tr>
<tr>
<td>1925 E State Hwy</td>
<td>James Cramer</td>
<td>1 story</td>
<td>29,166 Sq Ft, 19,266 per ft</td>
<td>50.75 - 10.95 Sq Ft</td>
</tr>
<tr>
<td>2731 E State Hwy</td>
<td>John Cramer</td>
<td>6 stories</td>
<td>155,000 Sq Ft, 19,000 per ft</td>
<td>50.00 - 9.90 Sq Ft</td>
</tr>
<tr>
<td>4315 E State Hwy</td>
<td>Mark McAdams</td>
<td>2 stories</td>
<td>45,966 Sq Ft, 22,953 per ft</td>
<td>4,010 1,000 Sq Ft</td>
</tr>
<tr>
<td>151 E State Hwy</td>
<td>John Cramer</td>
<td>2 stories</td>
<td>67,448 Sq Ft, 35,723 per ft</td>
<td>4,010 1,000 Sq Ft</td>
</tr>
<tr>
<td>119 E State Hwy</td>
<td>John Cramer</td>
<td>1 story</td>
<td>148,694 Sq Ft, 7 buildings</td>
<td>14,400 4,010 Sq Ft</td>
</tr>
<tr>
<td>95 E State Hwy</td>
<td>John Cramer</td>
<td>2 stories</td>
<td>76,000 Sq Ft, 3 buildings</td>
<td>15,550 4,010 Sq Ft</td>
</tr>
<tr>
<td>49 E State Hwy</td>
<td>John Cramer</td>
<td>3 stories</td>
<td>55,000 Sq Ft, 1 building</td>
<td>16,900 4,010 Sq Ft</td>
</tr>
<tr>
<td>23 E State Hwy</td>
<td>John Cramer</td>
<td>3 stories</td>
<td>87,972 Sq Ft, 2 buildings</td>
<td>5,630 1,000 Sq Ft</td>
</tr>
<tr>
<td>3173 N Vineyard Avenue</td>
<td>Katherine Geritz</td>
<td>4 stories</td>
<td>60,631 Sq Ft, 15,133 per ft</td>
<td>4,010 1,000 Sq Ft</td>
</tr>
<tr>
<td>4871 N Vineyard Avenue</td>
<td>David Tiltman</td>
<td>5 stories</td>
<td>95,187 Sq Ft, 20,000 per ft</td>
<td>8,110 4,010 Sq Ft</td>
</tr>
<tr>
<td>2821 N Vineyard Avenue</td>
<td>David Tiltman</td>
<td>2 stories</td>
<td>25,500 per ft, 3 buildings</td>
<td>31,550 4,010 Sq Ft</td>
</tr>
<tr>
<td>2821 N Vineyard Avenue</td>
<td>David Tiltman</td>
<td>2 stories</td>
<td>33,274 Sq Ft, 2 buildings</td>
<td>21,765 4,010 Sq Ft</td>
</tr>
<tr>
<td>10711 Lakewood Boulevard</td>
<td>John Strohs</td>
<td>2 stories</td>
<td>87,927 Sq Ft, 1 building</td>
<td>21,675 4,010 Sq Ft</td>
</tr>
<tr>
<td>10711 Lakewood Boulevard</td>
<td>John Strohs</td>
<td>2 stories</td>
<td>87,927 Sq Ft, 1 building</td>
<td>21,675 4,010 Sq Ft</td>
</tr>
</tbody>
</table>

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**WE NEED YOU.**

WE'RE FIGHTING FOR YOUR...American Heart Association
Are you worried that workers' compensation costs are on the rise? Here's some good news: A new study by Chilton Co. reports that a new monitoring system can have workers on the job much faster.

The system, run by Health Care Excellence (HCX) in Washington, D.C., monitors an injured worker's symptoms, diagnosis, prescribed treatment, and response. Developed by Dr. Henry Feffer, the computerized system compares the patient's progress with the latest standards for medical treatment and recovery established by the medical community.

In two cases, we picked up problems missed by the treating physicians which kept the patients out of work longer than prescribed," Feffer said. "This lent validity to our role as unbiased consultants."

In most such cases, the HCX physician finds an incorrect diagnosis or treatment, or determines that a patient is not following the prescribed treatment. Most patients are monitored for six months.

HCX's clients include the U.S. Postal Service, Leaseway, St. Johnsbury Trucking Co., and Potomac Electric Power Co. (PEPCO). Bill Milashewski, St. Johnsbury's director of insurance, says that compensation costs per 10,000 working hours fell from $759 in 1985 to $593 under the program.

HCX has also produced significant savings for Potomac Electric Power Co. "We had no idea we were saving anybody money until the chief financial officer of PEPCO told us that we had saved the utility a million dollars," said Jack Dugan, a spokesman for HCX.

Employees of transportation firms are at greater risk for workplace injuries. According to the National Safety Council, almost 20 percent of trucking company employees were injured in 1987, and the average worker spent more than 22 working days recuperating.

Less than 2 percent of all workers are injured on the job annually, and the average injury causes the employee to miss more than seven days of work.
Some people prefer to drop off their Express Mail packages at the Post Office.

Others find it convenient to deposit pre-paid letters and packages in an Express Mail box. (A stroll will reveal our ingeniously convenient downtown box placement.)

Then there are those who simply hand it to a walking Express Mail office, their friendly letter carrier.

Still others call us to arrange pick-up. Best of all, we also ease the burden of bottom line watchers: by delivering up to 8 ounces overnight throughout the U.S. for a modest $8.75. Even on Saturdays. No extra charge.

We said Express Mail service was easy, didn’t we. Overnight any other way is, well, hardly worth it.
Simplicity is the ultimate sophistication. Eight years ago I bought a Model T Ford. It is a marvel in simplicity. She has nouelles, but she drives all day long without complaint. Of course, I do have to watch the radiator cap for steam. I also have to listen for valves that start clattering or the banging of piston slap foretelling the need for another quart of heavy oil.

Contrast the old Ford to the 160 mph, 230 horsepower firebreathing monster that I drive daily (at 20 mph freeway speeds). This turbo-charged beast with four valves per cylinder, electronic fuel injection, computerized shock tensioning, anti-skid brakes and many more can do 0 to 60 in 6.7 seconds. With its turbo boost gauge, ammeter, oil pressure, tach, speedometer, fuel gauge, low fuel warning light, side and rear-view mirror, shock absorber settings light, and god-only-knows what else, I know exactly what is going on under the hood. The monster is fully instrumented. But at 20 mph, who cares?

Let’s discuss parallels in business.

Companies grow metaphorically. Small, entrepreneurial firms which once had simplicity, control and a small piece-of-panc for the owner emerge into the grown-up business world with computerized sophistication. Decisions once closely held by the owners become delegated to specialists who use impersonal and sometimes meaningless computer data as best they can.

Sensitivity to business can be undermined by an explosion of computer-generated reports and formalized accounting statements. As the business grows it becomes increasingly difficult to stay in touch with the pulse of what is going on. Four inch high stacks of green stripped paper with funny little holes along each edge replace the simple sensitivity owners once felt.

Computerization is not always sophisticated. Usable information is sophistication. Simplicity is sophistication.

Measure what is important.

What is important in your business? Is it customer response time or order? A low product failure rate? Is it your wide in-stock selection of inventory? Or fast installation time? Why do customers come to you? Think about it. If you could measure each of these uniquely important facets of your business, you would have the pulse of what is important. You would have the fully instrumented company. You would know exactly what is going on inside its engine.

An old management axiom says: "What gets measured gets produced." But now many businesses measure what is really important to them?

Positive performance reporting breeds accomplishment. The leader of the fully instrumented company knows what is important to the business’ success. He knows what his managers do. Throughput performance is the keystone. He knows what to measure for customer satisfaction and financial success.

The fully instrumented company has operating performance indicators which measure in real-time, just like a car’s oil pressure gauge. In contrast, financial reports are snapshots in time. They are only useful in finding out the problem after the damage may have already been done.

The fully instrumented company can see through the data to make reports to the management by 10:00 a.m. the very next day. The throughput information, may, indeed, be generated by way of the computer. But it is critical to the executive that the reported performance is hand-written on paper by the person responsible for its accomplishment and is subsequently personally placed in the supervisor’s office. That process generates value in performance commitment.

What should a company measure? If you just returned from a week cruise, what information management would you ask for to instantaneously assess the condition of your firm? Would it be cash on hand, current receivables, cash outflow commitments, new orders, productivity measurements, quality of service indicators? If so, shouldn’t you expect to see this same information updated daily?

Wouldn’t you expect that your direct reportees could have fully instrumented departments as well? For the production manager daily indicators could include units built and placed into finished stock, directly labor hours applied to work-orders for the day, total minutes clocked in late by hourly employees.

For shop floor supervision, the number of active work orders, the number of tool requests and the alerts for the next 48 hours may be significant. Tool room turnover time may be helpful to identify a potential throughput choke point. The number of piece parts produced from key production machines or the number of components queued behind the inspection bench are additional indicators of potential performance choke points.

For the order entry department, logging the number of phone orders taken per each hour may help to identify peaks and scheduling alternatives with a resultant adjustment in required personnel.

For the maintenance department, the number of maintenance requests and the total estimated hours of backlog may lead to more efficient maintenance scheduling.

50 daily indicators is not too many. A fully-instrumented company may have as many as 50 performance indicators, with each person receiving about five. The higher the person is within the organization, the more global and the more strategic his key indicators will be. Will the preceding level of supervision have knowledge of the indicators which are tracked and recorded in the preceding roles, although regular reporting of each of them is generally not necessary.

Continued on page 25

Is desktop publishing for you?

If you are tired of the delays, errors and costs associated with producing graphic art and typesetting for your business printing, or would like to get quality business cards the same day, or want to produce your own camera-ready art at a cost that is affordable, then computer-based systems are just what you need. For small businesses, a desktop publishing system can do the work of an expensive photo studio.

Desktop publishing is a system where you are not limited to pre-designed packages. Desktop publishing systems give you complete control of your output, from covers to cover lines. You can set up your own graphics, typefaces, and page layouts.

Desktop publishing systems are not limited to the creation of print documents. You can create electronic documents that can be transmitted via the Internet or stored on CD-ROM, compact disc. Desktop publishing systems can also be used to create multimedia presentations, brochures, newsletters, and Web pages.

Desktop publishing systems are often used by small businesses to produce a variety of documents, such as letters, reports, and brochures. Desktop publishing systems can also be used to create electronic forms, databases, and spreadsheets.

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"FOR OUR FAMILY, STAYING HEALTHY IS A WAY OF LIFE."

Although Dee Dee Kovacevich said it first, her husband Bill, daughter Casey and son Matt feel the same way. Their lifestyle reflects this attitude, too. It's not surprising, considering Dee Dee is an executive of Jazzercise and Bill is a high school football coach.

Around the Kovacevich household, good nutrition and proper exercise are an important part of the picture. "And so is belonging to Health Net," adds Dee Dee.

Dee Dee chose Health Net over a number of other plans because, "Health Net's Aim For Wellness Program fits right in with my attitude of staying healthy through preventive measures. They offer an impressive number of educational and self-help activities that promote better health."

Just as important to Dee Dee was the fact that, "if we ever do need a doctor, we won't need claim forms, we won't have a deductible, and we won't have to wait for reimbursement like we used to."

"Staying well is better than getting well," best describes how Dee Dee feels about health care. For every one of over 690,000 members statewide, Health Net makes it easy to do both.

If you'd like to offer a health plan that will make your employees and their families feel great, offer Health Net, California's second largest Health Maintenance Organization. For further information, call your insurance broker or a Health Net representative at (714) 824-3723 or 1-800-522-0088.

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The families of Health Net.
Inland Empire Health Care Providers

HMOs

The largest HMOs listed alphabetically for the Inland Empire.

<table>
<thead>
<tr>
<th>Company</th>
<th>Number of Employees</th>
<th>Total So. Cal. Patient Care Facilities</th>
<th>Total Inland Empire Patient Care Facilities</th>
<th>Total Membership</th>
<th>Inland Empire Membership</th>
<th>Top Local Executive</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Amerimed</td>
<td>NA</td>
<td>78 Companywide</td>
<td>NA</td>
<td>33,000</td>
<td>NA</td>
<td>Thomas Maloof</td>
</tr>
<tr>
<td>2 California Care Blue Cross</td>
<td>58 Corporate</td>
<td>17 Companywide</td>
<td>NA</td>
<td>202,141</td>
<td>NA</td>
<td>Leonard Schaeffer</td>
</tr>
<tr>
<td>3 Care America Health Plans</td>
<td>160 Corporate Staff</td>
<td>122 Companywide</td>
<td>12 Staticwide</td>
<td>90,000</td>
<td>15,000</td>
<td>Larry Gray</td>
</tr>
<tr>
<td>4 Cigna Health Plans of Calif.</td>
<td>NA</td>
<td>8 Companywide</td>
<td>NA</td>
<td>510,000</td>
<td>NA</td>
<td>Bert Wagner</td>
</tr>
<tr>
<td>5 FHP, Inc.</td>
<td>2,500 (including Providers)</td>
<td>NA</td>
<td>NA</td>
<td>370,000</td>
<td>NA</td>
<td>Robert Gumbiner</td>
</tr>
<tr>
<td>6 Health Net</td>
<td>480 (in S. Calif.)</td>
<td>210 Companywide</td>
<td>14 Staticwide</td>
<td>690,000</td>
<td>NA</td>
<td>Lowell Ellis</td>
</tr>
<tr>
<td>7 Intervale Health Plan</td>
<td>98 Corporate Staff</td>
<td>55 Companywide</td>
<td>10 Staticwide</td>
<td>2,000,000</td>
<td>14,000</td>
<td>James E. Taylor</td>
</tr>
<tr>
<td>8 Kaiser Permanente Medical Care Program</td>
<td>26,000 (in So. Calif.)</td>
<td>55 Companywide</td>
<td>10 Staticwide</td>
<td>2,000,000</td>
<td>30,000</td>
<td>High Jones</td>
</tr>
<tr>
<td>9 Maxicare of Southern California</td>
<td>2,200 Nationally</td>
<td>NA</td>
<td>14 Staticwide</td>
<td>275,000</td>
<td>NA</td>
<td>Brad Kelly</td>
</tr>
<tr>
<td>10 PacifiCare of Calif.</td>
<td>821</td>
<td>168 Companywide</td>
<td>29 Staticwide</td>
<td>415,425</td>
<td>71,000</td>
<td>Terry Hawthorn</td>
</tr>
</tbody>
</table>

PPOs

The largest PPOs operating in the Inland Empire.

<table>
<thead>
<tr>
<th>Company</th>
<th>Enrollment</th>
<th>Staffing (total/state)</th>
<th>Service area (total/Calif.)</th>
<th>Contracts (total/Calif.)</th>
<th>Services</th>
<th>Profile</th>
<th>Top Local</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Community Care Network</td>
<td>4,950,000</td>
<td>125</td>
<td>L.A., Ventura, San Diego, Orange, San Bern.</td>
<td>220 comprehensive medical services</td>
<td>Community Care Network San Diego</td>
<td>George S. Murphy</td>
<td></td>
</tr>
<tr>
<td>2 Occupational Urgent Care Health Systems Inc.</td>
<td>1,800,000</td>
<td>285</td>
<td>L.A., Ventura, San Diego, Orange, San Bern.</td>
<td>328 comprehensive medical services</td>
<td>none</td>
<td>Sacramento</td>
<td></td>
</tr>
<tr>
<td>3 Blue Cross Prudent Buyer Plan</td>
<td>1,300,000</td>
<td>3,756</td>
<td>L.A., Ventura, San Diego, Orange, San Bern.</td>
<td>261 comprehensive medical services</td>
<td>Blue Cross of California</td>
<td>Leonard Schaeffer</td>
<td></td>
</tr>
<tr>
<td>4 Physical Therapy Provider Network, Inc.</td>
<td>1,500,000</td>
<td>7</td>
<td>L.A., Ventura, San Diego, Orange, San Bern.</td>
<td>224 utilization review, Rx network</td>
<td>NA</td>
<td>none</td>
<td></td>
</tr>
<tr>
<td>5 ConsvCare</td>
<td>400,000</td>
<td>22</td>
<td>L.A., Ventura, San Diego, Orange, San Bern.</td>
<td>116 claims interven./ admin, utilization review, behav. health</td>
<td>NA</td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>6 PPO Alliance</td>
<td>650,000</td>
<td>200</td>
<td>L.A., Ventura, San Diego, Orange, San Bern.</td>
<td>233 comprehensive medical services</td>
<td>Prudential Ins. Co. of Amer.; Neward, N.J.</td>
<td>John C. Funk</td>
<td></td>
</tr>
<tr>
<td>8 Med Network</td>
<td>525,000</td>
<td>217</td>
<td>L.A., Ventura, San Diego, Orange, San Bern.</td>
<td>244 utilization review, substance abuse, case mgmt</td>
<td>NA</td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>9 Blue Shield of California</td>
<td>965,000</td>
<td>2,800</td>
<td>L.A., Ventura, San Diego, Orange, San Bern.</td>
<td>104 utilization review, substance abuse, case mgmt</td>
<td>NA</td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>10 ModaCare</td>
<td>140,000</td>
<td>60,000</td>
<td>L.A., Ventura, San Diego, Orange, San Bern.</td>
<td>5,100 utilization review, substance abuse, case mgmt</td>
<td>NA</td>
<td>NA</td>
<td></td>
</tr>
</tbody>
</table>
The expanded FHP health care network helps you enjoy something everyone covets.

Good health.

To that end, the medical centers and community physicians in FHP's health care network stand ready to serve you.

Qualified physicians and health care professionals understand the importance of basing patient relationships on trust and genuine concern, as well as medical skill.

Yes, you can choose your own doctor. You can also choose to take preventative health measures available at FHP such as health education classes, yearly physicals, and more.

With FHP you also have a choice of:

- FHP's Triple Choice Health Maintenance Organization (HMO Plan with medical centers in Riverside or Moreno Valley, group model plans in FHP's Inland Empire network, and FHP community physicians in the Riverside area.)
- FHP Indemnity Health Plan.
- FHP Golden Health Care for seniors with Medicare eligibility, Parts A & B. Other options are available for Part B only.

You see, we feel the greatest wealth is good health. Which is precisely why we believe in and encourage healthy lifestyles.

For information on enrollment call:

Employer Groups—714/952-8706 or 213/493-531, Senior Plan—800/225-4347.
HMO’s: America’s unique solution to affordable health care

Throughout this century every industrialized nation has grappled with the question of how to provide adequate health care for all its citizens. Some countries have adopted a strictly socialist model (England, Scandinavia, the Soviet Union, for example). Others, including the United States, have kept medicine within the private sector while adopting a variety of limited government interventions in the health care market. For the United States the 1965 Medicare bill marked the watershed between a purely capitalist health care system and a mixed health delivery system.

Socialized medicine reflects a social insurance approach. The government taxes both employees and employers while owning and operating a national health system. The objective is not profitable medicine but equal access to any health care procedure. Despite its idealistic intentions, however, the socialist models have from the beginning multiplied horror stories of inadequate facilities, incomprehensible regulations, life-threatening waiting lists for critical care, and crushing bureaucratic costs.

A uniquely American solution to the health care dilemma began to emerge in the late 1970’s. Pre-paid health plans called Health Maintenance Organizations (HMO’s) began to take over an ever larger share of the health insurance market by charging employers a per capita employees rate and offering subscribers medical services at minimum costs. The HMO movement gained quick momentum starting about 1983 largely because employers could no longer afford the rising premiums for indemnity group health insurance policies. Also, as young, less affluent employees entered the work force they generally opted for the much cheaper HMO plan versus considerably higher payroll deductions for the indemnity free choice plan versus considerably higher payroll deductions for the indemnity plan. By 1986 champions and foes of the HMO alike were calling it the wave of the future and were making the adjustments they believed necessary to continue operating in a health industry dominated by health maintenance organizations. Federal licensing and subsidy added regulation, stability and above all credibility to a trend destined to corner the market on shared health insurance risks.

There were, of course, problems as the HMO’s proliferated. Mergers, business failures and rumors of instability plagued the industry, but only the most die-hard opponents among medical providers predicted collapse. Industry analysts at worst forecast a shake-down period similar to what had been happening in the computer industry.

Then, last month, the prototype of the new HMO trend, the company with more subscribers than many of the other HMO’s combined, collapsed into Chapter 11. What did that mean? Was this the beginning of the end? Would the entire industry now collapse behind the fall of its greatest success story of the decade? The naysayers cheered (more often than not out of self interest), and the country waited for the results.

The answer is now obvious. HMO’s are alive and well and are here to stay. Every signal in the health care market and at the top levels of government support not a retrenching but an even more bold push toward HMO’s as America’s solution to the dual crises of health care costs and the adequate distribution of medical services.

For one thing, publicly held HMO stock has generally risen since the Maxicare announcement; moreover, the major indemnity companies like Prudential and Metropolitan are pushing ahead as quickly as possible into managing their own HMO arrangements. If anyone is going to afford to bail out when the first death knell sounded, it would be just such companies. New subscribers continue to enroll, and there is no sign that ongoing subscribers have any intentions of shifting back to the older, more expensive “free choice” indemnity plans. As the actual numbers and percentage of the population above age 60 continue to increase, the HMO’s remain the only rational consumer choice.

Perhaps equally important, at the highest levels of the new Bush administration the message is coming out loud and clear that the president and his health care advisors fully support the continued growth of the HMO concept. For example, Kevin Moley, who oversaw HMO administration under President Reagan, is Bush’s nominee for Budget Director of Health and Human Services. The president’s closest advisor on health policy is Dr. William Roper, a long-time supporter of the HMO sector.

The opponents are, of course, not yet silenced. Some even go so far as to claim that we have managed to combine the worst features of capitalist and socialized medicine in the health maintenance organization - expensive, government-subsidized, bureaucratic, no choice medicine for profit. But such negaters are only a small minority of disgruntled providers, economists and journalists. The reality is that corporate America believes that it has found, however difficult the growing pains, the answer to the previously unanswerable question of how to stop the vicious upward spiral of doctor and hospital costs which seemed insoluble until just a few years ago.

This does not mean that major shifts and changes will not take place. As consumers demand some latitude of free choice, HMO’s are already allowing their members to select specialists outside the system who are willing to cooperate with the HMO in holding down the lid on prices. The Maxicare bankruptcy may very well signal the start of a temporary shakeout period where only the most efficient and effective companies in the industry not only survive but acquire and merge with less successful competition. Within a few years only a small number of large HMO’s may remain to provide health care at a reasonable price.

The bottom line is that all long-range factors point to the HMO as America’s unique solution to the health care problem. Medical science continues to learn how to prolong life, which means an ever increasing population living on fixed incomes. Catastrophic illnesses like AIDS and expensive new medical technology drive up indemnity free choice insurance rates far faster than the costs of HMO care. Young workers continue to select the least costly alternative, while the HMO’s themselves, still by long-term standards a new industry, learn better all the time how to provide quality care at a minimum feasible cost.

Groundbreaking ceremonies recently took place at the site of Canyon Springs Medical Plaza's new consolidated facility in Canyon Springs on Day Street in Riverside. The project is a joint venture of Riverside Community Ventures Corporation and Riverside Medical Clinic. Left to right are Jeff Cimino, Vice-President of the Moreno Valley Chamber of Commerce; Patty Goodwin, Mayor of Moreno Valley; Ab Brown, Mayor of Riverside; Dr. George Kanaly, Chief Operating Officer of Riverside Medical Clinic; David Patton, President of Community Health Corporation; Jeff Self, Chairman; T. & S. Development; Dr. Steve Larson, Chief Executive Officer of Riverside Medical Clinic; Philip Dalton, President of Riverside Community Ventures Corporation, and Mark Thompson, President of T. & S. Development.
Another Small Meeting on the Green

In Palm Springs for an even smaller price.

$85/night per room

Includes:
• Deluxe 2 room suite accommodations.
• Free use of meeting rooms daily.
• One free coffee break per day.
• A one hour welcome reception party with hors d’oeuvres, wine and punch.
• Free airport pick up and return.
• One comp room for every 25 rooms.
• Group activities coordination and arrangement of golf and tennis times.

To qualify for this special offer, a minimum of 10 rooms must be booked per night. This price is effective until 5/31/89.

The resort has banquet and meeting facilities for up to 300. 18-hole golf course, 10 tennis courts, pool and spa. Centrally located to Palm Springs and Restaurant Row.

CATHEDRAL CANYON RESORT
Palm Springs
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The tranquil town of Idyllwild is a summer hideaway high in San Bernardino National Forest. Vacationers sleep among the trees in state and county campgrounds or in comfortable cottages. A host of nature trails wind through the woods, including a short self-guiding path at the Idyllwild Park Visitors Center. Inside are Indian relics and exhibits about the lumbermen and miners who settled the area in the 1870’s.

Families often fill the town when students arrive for summer programs in visual and performing arts at the acclaimed Idyllwild School of Music and the Arts.

Deserts

Palm Springs Balloon Classic Weekend, April 22-23, Palm Springs, (619) 323-8272 • Desert Dixieland Jazz Festival 4, April 28-30, Cathedral City, (619) 951-JASS.

Inland Empire


Central Coast

Santa Barbara County Vintners’ Festival, April 22-23, Solvang, (805) 688-0881 • California Beach Party, April 28-30, Ventura, (805) 654-7830.

Orange County

Spring Hunter/Jumper Horse Show, April 21-23, Costa Mesa, (714) 751-3247 • Youth Expo, April 28-30, Costa Mesa, (714) 751-3247.

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The rolling hills of a former ranch are marked by rows of grapevines instead of grazing cattle. Temecula Valley near the Riverside/San Diego County line has become the state’s outlondonmost wine region and even has been awarded its own appellation. You can tour 11 wineries, including well-known Callaway and the relocated John Culbertson Winery.

Other labels to look for are Mount Palomar, Filsinger, Hart, Cilurizo, John Piconi, Britton Cellars, Maurice Carrie, Baily and French Valley.

Pack a picnic to enjoy on your tasting tour, or dine in the delectable Cafe Champagne at Cubertson Winery. Linger longer to explore the antique shops in the Old Western town of Temecula.

South Coast Vintners Assn., (714) 699-3626, and Temecula Valley Chamber of Commerce (714) 676-5600.

Steel Sleep

How many people will pay $80 an hour to stare in the dark? Plenty, says Robert Burns, 59, chairman of Hong Kong-based Regent International Hotels. That’s why Regent and a Japanese partner recently paid $140 million for a third of a block on East 57th Street in Manhattan. There they will spend another $102 million-plus to put up the ultrawanky 46-story, 400-room Regent of New York. Due to open in late 1991, the hotel will have an average room rate of $450 a night, nearly 30% higher than the 160-room Hotel Plaza Athenée, New York’s most expensive existing hotel.
Central Pacific Corporation Announces First-Quarter Earnings

Central Pacific Corporation, the Bakersfield-based holding company for American National Bank, has announced record first-quarter earnings of $1,391,000 for the quarter ended March 31, 1989. This represents a 44.6 percent increase from the first quarter of 1988.

Assets of the company, as of March 31, 1989, totalled $808.2 million -- up 11.9 percent from a year earlier.

Rayburn S. Dezember, Chairman and Chief Executive Officer of Central Pacific Corp. stated, "It is a pleasure to report to you that Central Pacific Corp. achieved record earnings for the first quarter and improved earnings for the seventh consecutive quarter."

Central Pacific Corp. and American National Bank operate 28 offices in the Inland Empire, the Antelope Valley, and the Central Valley of California. A branch office is scheduled to open in East San Bernardino County in the Victor Valley area in September 1989.

University of Redlands Offers Class on Conflict Management

The University of Redlands will offer a two-unit course on "Conflict Management," for two weekends, May 6-7 and June 3-4. Deadline for registration is April 28.

The class will meet from 9:00 a.m. to 4:00 p.m. on Saturdays and 9:00 a.m. to 4:00 p.m. on Sundays at the University of Redlands' campus. Tuition is $400. The course will focus on understanding conflict processes and dynamics and on practicing new approaches to resolve conflict, according to course instructor Jon Sager, who holds a Ph.D. from the University of Michigan.

Kasler Backlogged at $239 Million

Kasler Corp. announced operating results for the first quarter ended January 31st. Net income for the first quarter was $578,000, or 11 cents per share, as compared with net income of $577,000, or 11 cents per share, for the like period a year ago. Backlog at January 31st, stood at $239 million, setting a new record for the company.

In reviewing operations, E. Robert Ferguson, President and Chief Executive Officer, said net income for the quarter was impacted by flood damage on a canal construction project in Arizona.

During the first quarter, the company was successful in obtaining two contracts from the State of California Department of Transportation on the Harbor Freeway in Los Angeles totaling $44,578,000.

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Restaurant Row ...  
Continued from page 21

New York, NY -- Try MARCHI’S for a very unique mid-Manhattan dining experience in this city that never sleeps. This Italian restaurant is located in the first and second floor of a brownstone (three-story Manhattan townhouse) offers a non-menu, price-fix eight course dinner with all fresh meat, fish and vegetables. You must allow at least two and a half hours to really enjoy. Full wine list offering French, Italian, German, New York and a few Californian selections. In New York, where most all mid-Manhattan restaurants are expensive, this is a rare find - moderate prices and very good service -- great food at 251 East 31st Street -- (212) 679-2494.

U.S. Waste Group Subsidiary Completes Trial Burn Testing

TEMECULA - U.S. Waste Thermal Processing, the Temecula-based subsidiary of U.S. Waste Group that has developed soil on-site, recently reported that state and local agencies under the Air Quality Management District, Health Services, the Board. According to the company president N. Robert Crain, the company has every indication that its Mobile Processor satisfied all test parameters required.

The testing, which is required by state and local agencies under the auspices of the Department of Health Services, the South Coast Air Quality Management District, and the California Air Resources Board.

According to the company president N. Robert Crain, the company has every indication that its Mobile Processor satisfied all test parameters required.

The official results, however, are not yet available from the testing agency, but when received the company will apply for temporary permits to begin field operations while formal permits are being processed.

The first beneficiary of the Mobile Thermal Processor is likely to be a California Municipal Agency. According to Crain, U.S. Waste Thermal Processing has reached an agreement in principle, pending the issuance of operating permits, to clean 400 cubic yards of contaminated soil on the agency's property.

"U.S. Waste's patented Mobile Thermal Processing System cleans soil at the site where the waste was generated. The unit can travel quickly to the site and be operational within a few hours.

Unlike other technologies that cannot remove all contamination from the soil economically, U.S. Waste Thermal Processing has demonstrated that it can successfully leave all contaminated soil sterile and inert, allowing it to then be reused and thus eliminates liability when contaminated waste is hauled to landfills.

The system can process up to 150 tons of contaminated soil per day.

Vision Technologies To Acquire United Surgical Corp.

Vision Technologies International announced that it has signed a letter of intent to acquire United Surgical Corp., a privately held distributor of phacoemulsification systems used in cataract surgery.

The closing of the transaction is contingent upon several conditions, including the parties entering into a definitive long-term agreement and the performance of a favorable due diligence investigation of United Surgical Corp. James W. Snyder, President and Chief Executive Officer of VTI, stated that, "This business combination fits very nicely into VTI's growth plans. United Surgical Corp. represents a significant position in the growing small incision and phaco markets." Snyder also indicated that this proposed acquisition is a key element in VTI's marketing plans, noting that a 20 percent annual growth rate of outpatient surgery is projected through 1992, according to SMG Marketing Group. Ophthalmology is the leading category of outpatient surgical procedures, accounting for 25 percent of the surgeries.

According to Terry Herbeck, President of United Surgical Corp., "This is a very compatible combination that will allow us to capitalize on our current position in the phaco market, highlighting our PHACOTRON System Plus II.

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CONTINENTAL
Working to be Southern California's choice.
So You Want to go Public: Examining the Options

By Marc R. Tow

I don't know how many times a client has come into my office and said, "I need additional capital. I cannot sell private stock in my company and I would like to take my company public." At this point, I take a deep breath and sigh, and then proceed to say that "there are some expenses and costs involved."

And so begins the process of helping the new or growing company to meet with investment bankers, consultants, lawyers, and accountants, all of whom seem to be specialists in securities. The process can be both successful and profitable, or it can result in tremendous cost and failure.

There are various ways a company can finance its growth in the public market, three of which I will discuss.

1. The traditional approach. This is the approach most often by large companies with experienced earnings, revenue, history, an exciting product line and stable management team. The process involves locating an underwriter who is interested in doing an initial public offering under the 1933 Act. The company will negotiate with the underwriter for a period of time, usually several months.

   During this time, the underwriter will do the "due diligence," a method whereby the underwriter reviews the books, records, financial affairs, kicks the dirt off the company's plant and equipment operations, and verifies data supplied by the company. Once the underwriter determines that the company is a viable, initial public offering and sellable in the market, it generates an underwriting agreement of which there are two basic types.

   a. The first type is called a "Best Efforts Underwriting Agreement" whereby the underwriter does his best "to sell the offering." No guarantees, commitments, promises, or any other type of agreement are made to the company. The underwriter will simply do his best shot at selling the stock to the public.

   b. The second type of agreement is a "Firm Commitment Underwriting." Just as it implies, the underwriter gives the company a firm commitment to sell its stock. However, this commitment is not as "firm" as it sounds because it is subject to a variety of variables. The underwriter can back out if the price is not acceptable to the company or if the company, during due diligence or preparation of the registration statement, does not properly inform the underwriter of its financial conditions and the way certain agreements are done.

   In both cases, be it the Firm Commitment or the Best Efforts, the Underwriter will charge the company a "due diligence" fee, which includes attorney and accountant services, document preparation, and market research and promotional efforts needed to present the company story.

   There are in excess of 400 underwriters in the United States who underwrite stocks. Some can underwrite stocks in the $1 million to $10 million offering range and some of them cannot. One of the key challenges for a company wanting to use the traditional approach is determining the financial strength of the underwriter. Can the underwriter sell the offering? Does the underwriter have distribution? Does he have the net worth to underwrite this offering? And, most importantly, what offerings has he underwritten in the past?

2. The second type of public offering is referred to as the "Blank Check Offering." A company might be approached by an individual who says, "I have been hired as a consultant for ABC Company which recently did an initial public offering, has some money in the bank, and is looking to merge with a profitable private company. This type of offering is called a Blank Check Offering and concerns those companies that go public with no assets or earnings but solely use a business plan to make acquisitions of one or more private offerings. This type of offering is structured usually with common stock and A, B, and C warrants consisting of a unit, or just plain common stock.

3. Lastly, you can go public by "Merging with a shell company or previously trading public company." This type of company has usually been in business six months prior to the enactment of the 1933 Securities Act or is not required to be reporting under the 1933 and 1934 Securities Acts. This approach to going public is generally used by small development stage companies who are interested in creating some investor support and a market for the company's operations. It is generally traded on the National Association of Securities Dealing, Inc. (Pink Sheet's). Some development stage companies merge with these companies because they think it will give them the presence of being public and allow them to create some brokerage and market maker support.

   Going public is a dream of a large number of entrepreneurs. With more of the venture capital going to fewer players, the entrepreneur with a good product is faced with fewer sources to obtain capital. Presently there are in excess of 1,500 public companies in Southern California. Some of them have reached tremendous heights and some are just beginning to get started.

   In any case, companies should carefully assess their reasons for going public and the options available in doing so.

Marc R. Tow is an attorney specializing in securities and business law for clients in the Inland Empire and Orange County.

Bank of Redlands Merges into Community Bank

The Bank of Redlands shareholdes have approved a merger with Community Bank, headquartered in Pasadena, it was announced this week by Kraig A. Westra, Community Bank's President and Chief Executive Officer. The final merger is subject to all necessary regulatory approvals.

Community Bank is paying $9.50 per share, for a total purchase price of about $23 million.

Bank of Redlands finished 1988 with a 12 percent gain in assets, to $168.7 million, and an 11 percent increase in loans, to $97.7 million. The bank has six branches in Redlands, and the remaining locations in San Bernardino, Yucaipa, Fontana and Victorville, California.

Westra said there would be no disruption of service to Bank of Redland's customers as a result of the merger. "It's a well-run bank, and we intend to keep it that way," he explained.

"I am particularly impressed with the high-quality of staff at Bank of Redlands," Westra said. "Strength in retail banking at the Redlands Bank ultimately will migrate to Community Bank branches," he said.

Fully Instrumented Co...

Continued from page 17

To have the fully-instrumented company the leaders must first decide what outputs it wants produced and the end items must be defined for each company function.

Since what gets measured gets produced, that which is desired as output should be the event measured. When the right event is measured and is consequently produced, the end output is measured and is consequently produced.

And so begins the process of helping the new or growing company to meet with investment bankers, consultants, lawyers, and accountants, all of whom seem to be specialists in securities. The process can be both successful and profitable, or it can result in tremendous cost and failure. There are various ways a company can finance its growth in the public market, three of which I will discuss.

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Marc R. Tow is an attorney specializing in securities and business law for clients in the Inland Empire and Orange County.
America's Export...
Continued from page 13

In recent statements, Mosbacher said that only 10 percent of what America makes is sold abroad while in other nations exports may reach as much as 75 percent.

The solution, Mosbacher said, was for Commerce to get more aggressive by searching out U.S. firms with export potential instead of waiting for businesses to find the department. Mosbacher also said he will review whether there is sufficient staffing and determine if officials are spending too much time on clerical details instead of contacting potential exporters.

These are exactly the problems highlighted by the Mica report. If Mosbacher is sincere in his desire to clear up the disarray in America's export promotion efforts, this is the situation the new Commerce secretary has to tackle:

America's front-line troops

America's export promotion rests primarily on the shoulders of the U.S. and Foreign Commercial Service (US&FCS), a unit of the Commerce Department's International Trade Administration (ITA). The stated mission of the US&FCS is to promote U.S. exports, expand the number of exporters and assist U.S. companies in the international marketplace.

The real work of the US&FCS is conducted by the 160 commercial service officers and 475 foreign service nationals stationed at 125 U.S. posts in 63 countries around the world. They are America's front-line troops in the international trade battle. They root out export leads for U.S. firms, find distributors and agents to sell American goods abroad, host receptions at U.S. embassies to promote U.S. products and companies, and line up prospects for U.S. businesspeople who travel abroad looking for more business.

They are also an important source of advice and information to steer U.S. businesses through foreign markets.

However, as Congressman Mica's report states: "The US&FCS budget has remained static since fiscal year 1984. This has occurred at a time not only when the demands on the service have increased, as evidenced by the growing U.S. trade deficit, but also when a drop in the value of the dollar overseas has cut back severely on the purchasing power of that budget at the same time that a lower dollar has enhanced the potential for U.S. exports."

In other words, the US&FCS budget was cut back when its services were most needed and when the government could have gotten the biggest bang for the export promotion buck. The US&FCS $68.4-million budget last year fell from $70.9 million the year before. Its budget has 50 percent less spending power than in 1985, and the number of US&FCS officers stationed abroad have been reduced from 176 in 1986 to about 150 today.

Overall, the U.S. in 1987 spent $294 million for all export promotion activities, or 6-cents per $1,000 of Gross National Product, a figure that is far less than that spent by some of America's major trading partners who maintain large trade surpluses with the U.S.

The budget cuts are taking their toll on U.S. export promotion overseas. Export promotion is similar to the job performed by any company's salesforce. US&FCS officers pound the pavement to find prospects and press the flesh to develop contacts. Their main job is to get "salesmen" for U.S. products abroad. It is as much a person-to-person job as it is for any company's sales team.

But how effective can a salesforce be if it has no budget to rent a car or take a cab, return telephone calls or travel to see prospective clients? How smart is it for a company to cut back on its salesforce at the exact time a market is reaching maturity? Well, that is what has happened to US&FCS officers overseas because of budget cuts.

The staff of Mica's International Operations Subcommittee visited US&FCS posts in Paris, London, Rome, Seoul, Hong Kong, Sao Paulo, Rio de Janeiro, Caracas and Mexico City to prepare the report. At each post, subcommittee staff found a highly dedicated and hardworking team of American US&FCS officers and foreign service nationals (FSNs) who, the report repeatedly states, are playing a significant role in assisting both large and small U.S. corporations in their export efforts.

Each country the subcommittee staff visited holds a significant potential for increased American exports, but, despite the achievements of the US&FCS staff overseas, the report indicates that potential remains untapped because of budget cuts.

In France, described as a very accessible and receptive market for U.S. exports, the US&FCS post lost one American position and two FSNs last year and expects to lose one American and five FSN positions this year because of budgetary restrictions, leaving Paris with four American officers and 17 FSNs.

In Italy, one of the fastest growing markets for U.S. exports, budget cuts have forced reductions in travel and in-country, long-distance telephone calls by the five US&FCS officers.

In Mexico, considered a key country for U.S. exports, "US&FCS personnel were energetic in their efforts to do their job and try to promote U.S. exports, but they voiced frustration over the lack of resources and personnel, especially in comparison to other foreign competitors in Mexico," the Mica report states.

In America's backyard, "Our competitors far exceed the U.S. in the amount of support they supply..."
No game plan

Why? One reason, according to the Mica report, is that there is no overall strategy within the ITA to promote U.S. goods. In fact, the report says, there appears to be no global or regional plan for USFCS activities. "An overall strategy for the overseas posts, both in terms of product management and export development, is needed and should be integrated throughout the international field organization and the U.S." As one observer put it, "We have no game plan."

A cohesive, overall export promotion strategy for the United States should be coming from Washington, but it isn't. The sources said there is no direction or coordination at the highest levels of the Commerce Department to promote American exports. Because there is no overall game plan at the top, insufficient emphasis is placed on the work of the USFCS. As a result, the USFCS does not have top-level officials to fight for it at budget time.

Trade policy is sexier

But the problem goes deeper. The U.S. lacks a unified game plan because there is no single point of authority driving America's export promotion efforts. There is no trade czar at Commerce to marshal an effective and properly funded export promotion effort. And even those officials appointed to head export promotion efforts are usually attorneys and not business people who have experience in exporting and in dealing with Washington.

Within Commerce's bureaucratic framework, trade promotion is split up among different offices. Each works independently of the other. As another source said, the heads of these offices don't sit down together. Without a coordinated strategy, and without a trade promotion czar spearheading export efforts, there is no pressure for them to communicate with each other and formulate an effective strategy.

But there is another reason trade promotion efforts in Washington are in disarray. Trade promotion is separate from each policy, which deals with such issues as trade barriers. Trade policy, a much "sexier" topic in Washington, is given more attention. In addition, the State Department, the U.S. Trade Representative, the White House, Treasury and Commerce each views trade policy as within its domain. As a result, trade promotion, both in terms of budget and planning, gets short shrift. Even the ITA sees its role primarily in dealing with trade policy.

"It is ironic that we should be satisfied with a totally underutilized USFCS," says Mica, whose report proposed organizational changes at Commerce to unify and coordinate America's trade efforts. "Set properly, it could make a difference in our national trade posture."

A stepchild at Commerce

If the USFCS officers overseas play a crucial role in increasing American exports, as the Mica report stresses they do, then why has the USFCS budget been devastated?

In commenting on the report, Congressman Mica provides one possible answer. In 1989, Mica says, "The foreign commercial service function was taken out of the State Department because of the low priority it was accorded." But, Mica says, "Now it looks like it's still a stepchild, but this time at the Department of Commerce."

As part of the infighting that preoccupies bureaucratic Washington, the 51-member staff of the USFCS' foreign operations office, which supervises the trade promotion efforts of the approximately 150 commercial officers overseas, is clearly outgunned at Commerce by the entrenched and larger International Economic Policy (IEP) office, another unit of the ITA.

The USFCS foreign operations office has no means of protecting itself in the bureaucratic trench warfare that goes on in Washington. One example of this is that detailed analyses of market potential for U.S. exports that are prepared by USFCS officials overseas are routinely published in the Commerce Department's Business America magazine under the name of the IEP country desk officer in Washington.

According to several sources who spoke on the condition of anonymity, the USFCS is largely ignored and its work and potential is not understood even at Commerce. "The foreign commercial service is woefully underused," said one source. "It's regrettable because it can really make a difference. It's really too bad that we've gone through all this effort to set up the USFCS and nobody's bothered to see if it's being used. The USFCS is not properly integrated into ITA."
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