www.CommercialCorpFinance.com
566 W. Lake Street, Suite 3-W, Chicago, IL 60661

Gary S. Meyers, President
GMeyers@CommercialCorpFinance.com
Direct: 847-580-4260 Private Fax: 847-557-1260

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D/B/A of Gary Meyers Realty, Inc., founded 1977.
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THE MEYERS REPORT

by Gary S. Meyers and Robert Genetski, Ph. D.

Higher Taxes Threaten Recovery

As evidence of an economic recovery continues to come in, we are not out of the woods. In January, planned tax increases could well hit the growth with shock and awe, and stun the recovery to a halt.

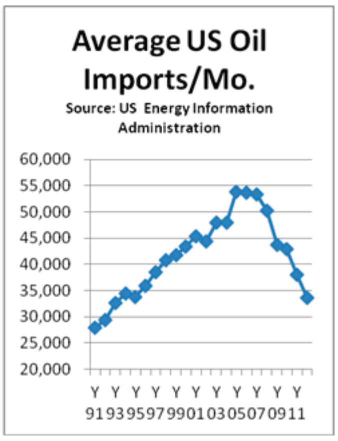
But, there are several "ifs." If President Obama is re-elected, and if he decides to defend his budget proposals, individuals will face three tax shocks. The scheduled increases in (1) the capital gains tax, (2) the tax on interest and (3) the tax on dividends will hit the economy next year.

The President's budget assumes these increases will produce $242 billion in additional revenue for the government in fiscal 2013 and another $342 billion in 2014 more revenues than current tax rates.

Since it would take new legislation to change scheduled tax increases, it is highly unlikely that Republicans would have the power to prevent most of the higher tax rates—even if they controlled both Houses of Congress—because they would have to override a likely Presidential veto.

Likely outcome. Individuals will adjust spending and investing decisions downward to avoid the higher tax rates. As they do, there will be a major reduction in private productive activity. Past tax increases have created serious headwinds that undermined the economy's ability to grow. These same headwinds will hit us beginning January 1st, if the President has the power to implement his stated budget plans.

THE MEYERS REPORT Economic Notes



Oil Imports

Oil imports were climbing steadily throughout the new century and peaked in 2005.

However, quietly from 2003 through 2006 the last administration with the support of a Republican-controlled House and Senate, oil leases and drilling permits were issued that have put the country on the road to energy self-sufficiency. According to Baker Hughes weekly reports on North American rig counts, on June 19, 2009, the total oil rig count for North America had fallen to 876. By March 23, 2012, the count is back to 1,968.

In addition, the new drilling on land has enabled US producers to get oil more safely and be less reliant on deep water drilling. For example, in 2001 there was an average of 148 wells operating in the Gulf of Mexico. For all of 2011 there were only 32, a decline of 78%. Drilling on land is cheaper and safer than drilling in the ocean.

Now in YTD 2012, the US is continuing an eight-year decline for importing oil. In 2005, the US imported an average of 53,854 barrels per month. By March 2012, US monthly imports fell to 33,642 barrels, a decline of 38%. These improvements are part of a continuing momentum that is overcoming increasing regulatory blocks by the current administration.

HUMOR

If you can't be a shining example, then just serve as a horrible warning.

The pre-school teacher wanted to see how much her students knew about math. So she asked: "Can you tell me what is 3 and 2?" Steven said, "That's when you watch very, very carefully before you swing at the next pitch."

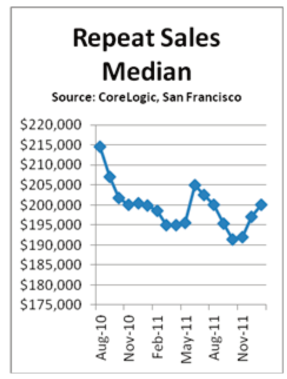
Housing Market Improving

The housing market is been improving for at least the last three months, which is contrary to what the mass media has been reporting. Here is why and how.

First, a single company, and there is only one, San Francisco-based CoreLogic that monitors better than 95% of all home sales throughout the country, which they break down into about 700 metro areas. They also monitor the performance of over 44 million home mortgages, roughly 80% of all home loans in the US. All of the other publicly quoted "sources" take sample in about 20 markets. CoreLogic doesn't sample, they have massive real information.

Here is what is happening. If you examine conventional sales, without distressed sales, there is a clear improvement throughout the country. Lumping distressed with conventional consumer home sales gravely distorts economic reality downward, although it does create headlines, albeit distorted negative ones. Distressed properties are often gutted, or in serous functional disrepair, and connot be lived in without significant expense. A distressed sale automatically means the prices is going to be lower than a home where the seller has time.

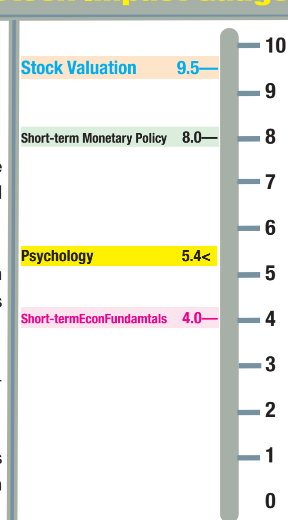
Nationwide the average price of a conventional home sale was $200k, for the month of January 2012. This was up from $197k in December of 2011, $192k in November, and $191.4k in October. Nationwide, month-over-month basis home prices were up 1.52% in January, 2012 vs. December, 2011, gaining in December vs. November 2.6% and 0.31% in November vs. October. Major states also showed improvement. Over the last 3 months, California home prices were up 4.93%, Florida up 0.65%, Illinois up 9.18%, Maryland up 6.00%, Massachusetts up 11.02%, New Jersey up 1.36%, New York up 30.91%, Virginia up 18.37% and Wisconsin up 3.23%.



However, there were some losers. D.C. posted a 3-month loss of 6.52%. However, on a month-over-month performance, D.C. gained 3.42% in January and 9.13% in December. Over the last 3 months, Indiana lost 0.21%, Michigan lost 1.62%. But, for the last 6 months, Michigan has been see-sawing between positives and negatives. Year-over-year January 2012 prices were 7.1% higher in Michigan than January 2011. Nevada, one of the greatest investor real estate bubble states, is still posting no gain and some losses, depending upon the month. The Ohio market remains negative down 1.46% over the last 3 months. Pennsylvania for the same period is down 7.81%. Rhode Island is down 16.27%, and Texas for the last 3 months is down 0.87%, though they both have seen gains in five of the last ten months.

Robert Genetski's Weekly Financial Update & Stock Impact Gauge

	Fundamental	Actual	Immediate Outlook
Fixed-income: 10-yr Treas.	5.0	2.16	heading higher
Equities: S&P 500	2000	1403	heading higher
Equities: Dow Jones	16,000	13,146	heading higher



Ratings for forces impacting stocks: 10 is best; — means no change; > change for better; < the other direction

Friday's report on income and spending had mixed information on the pace of the recovery. The positive jump in spending is more consistent with my forecast as well as other economic news showing a pickup in the pace of activity.

Market Outlook For the past four weeks stock prices have moved up and down without much sense of direction. This past week the volatility continued with stocks recording a modest gain of roughly 1%.

With the exception of the NASDAQ all major indexes moved below their 10-day averages. All remain above their 50-day averages.

Trading volume was not as healthy as it had been the previous week. Volume was fairly low earlier in the week when the market moved up. Declines have come on higher trading volume.

The failure of most of the key indexes to move higher during the past four weeks has them approaching some key upward sloping resistance points. Breaking these resistance points would raise the odds of a shift in psychology. In spite of a slight reduction in my measure of investor psychology, the stock market's upward momentum remains intact. I expect the Fed's easy money policy along with positive economic news to help stock prices maintain their upward momentum.

Long-term interest rates moved lower this past week reversing roughly half of the recent upward surge. Some correction in rates was normal given the previous spike. The correction was also aided by the Fed Chairman's insistence on maintaining low rates in spite of signs the economy was improving. I suspect the Fed's easy money policy will continue to bolster the economy. If it does, the Fed will not be able to use words to hold down further increases in long-term interest rates.