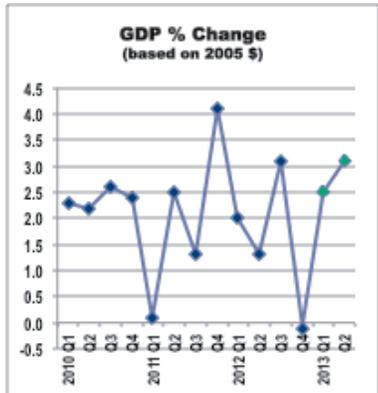


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THE MEYERS REPORT Economic Notes



2013 1Q and 2Q are forecasts by Genetski and Meyers
 Data Source: US Bureau of Economic Analysis (USBEA)

GDP Numbers Skewed. The markets shrugged off reports of a sharp drop in consumer confidence and a contraction in 2012 Q4 GDP failed to depress stocks. The decline of 0.1% in the reported preliminary 4Q GDP misrepresents what really happened. The decline, which is an “annual” rate, was driven downward by two factors: a slower growth in inventories and sharply falling commodity prices. The fall in inventories means they have to be replaced. That’s good news for production in the first quarter. Commodity prices are already rebounding, adding to the first quarter spending pace. Without these two factors, real output would have increased at about the same as it has been increasing all 2012. We forecast that 4Q will be revised upward slightly into positive territory. For 2013, look for a 1Q growth rate of 2.5% and 2Q growth of 3.1%.

For the first time in China’s history, a major company is holding true elections for a union. Foxconn, a Taiwanese company with a reported 1.2 million mainland-based workers is holding free elections. Traditionally, management controlled the unions. However, in this case there will be only junior employees involved in the labor union management and no company executives. Sign of democracy growth.

QUOTE

“Ninety-nine percent of failures come from people who have the habit of making excuses.”

George Washington Carver

Case in point ...

Challenges: Bring long-term money to a rural market in south central Missouri when all national lenders looked away from this and other tertiary markets. The only capital available was short-term from local banks. Worse yet for the borrower, most all of the banks were at their lending limits, or were out of meaningful lendable funds, but \$18.3 million was needed.

CCF Action: After four rejections by HUD, CCF and their correspondent, CCF used detailed market research and reason, was able to prove that the market had powerful hidden strength that not only justified the loan, but also showed financial opportunity.

Conclusion: CCF closed the \$18.3 million non-recourse, multi-family apartment loan with a rate of 3.1%, fixed for 35 years. CCF didn’t take no for an answer.

BOTTOM LINE
 Call CCF 224-715-5555.

THE MEYERS REPORT

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

NLRB Ruling, Landmark Case?

On Friday, Jan. 25, 2013, the D.C. Federal Court ruled against the President’s recess appointments to the National Labor Relations Board. This ruling also could transform into a constitutional landmark case impacting separation of powers between the branches of government. If it does, presidential executive orders and rules issued by federal regulatory agencies also could be challenged.

“In setting aside the President’s recess appointments, the court also may invalidate 600+ NLRB 2012 rulings for lack of authority to even function,” said Chicago labor attorney James Hendricks, who has several NLRB cases pending in the D.C. Federal courts.

“As the ruling court and the NLRB are in the same district, the NLRB must comply,” said Hendricks, of Lewis Brisbois Bisgaard & Smith LLP. “Were they in different districts, the NLRB might have a bit of flexibility in ignoring the court, at least temporarily. But, here they cannot.”

The Obama NLRB’s clear social adjusting pro-union agenda bias “is way over the top,” said a past president of the National Employment Lawyers Association, whose members represent unions and plaintiffs. “They’re making up law as they go to push a social agenda and by-pass Congress.”

The uncertainty of knowing what the Supreme Court will do may create business and market uncertainty. In the 2012 ‘December massacre,’ the recess appointees made numerous anti-employer decisions, which undid 35-50 years of precedents. The NLRB overturned and/or issued new decisions not contemplated by employers in their business planning.

- In **Hispanics United of Buffalo (359 NLRB #37)** (12/14/12), the Board ordered the reinstatement of employees who were terminated because they were bullying other employees on their Facebook pages. The NLRB said this was “protected (union-like), concerted activity,” because it was done by a group.

- In **WKYC-TV (359 NLRB #30)** (12-12-12), The Board overruled a 1964 decision and ordered the employer to honor the union dues check-off after the collective bargaining contract had expired.

- In **American Baptist Homes, (359 NLRB #46)** (12/15/12), the Board overturned a 35 year precedent, holding that witness statements taken during an internal investigation are not automatically considered confidential.

Also in another court case, in question is the recess appointment of Consumer Financial Protection Bureau head Richard Cordray.

The constitutional issue. “The ruling could morph into a true landmark decision of constitutional law and separation of powers,” said Hendricks. “Does this president, or any president, have the right to go around Congress when he does not like Congress? And, can he ignore the courts? This is heightened when the subject is a unilateral major social re-engineering of the nation.”

Hendricks forecasts that “if the Supreme Court affirms last week’s ruling, we should expect a raft of similar challenges against anything that smacks of national political policy making from ‘presidential executive orders’ to new regulations from federal agencies. It’s all about separation of powers and respect for the law, other branches of government, and the Constitution.”

On the same day of the ruling, NLRB Chairman Mark Pearce issued a statement saying, “...the Board has important work to do. The parties who come to us seek and expect careful consideration and resolution of their cases, and for that reason, we will continue to perform our statutory duties and issue decisions.”

The President could have accepted the court ruling and pushed to get his appointees confirmed by the Senate. Had he done that, he might well have been successful. If the confirmations failed, the President could have blamed obstructionist Republicans, but he did not.

The President, through Chairman Pearce, directly challenged the authority of the Federal Court system by blatantly ignoring the ruling. By making the recess appointments in the first place, the President declared a greater power than the Senate itself to interpret Senate rules. In both, “the administration has raised the bar on the issue of separation of powers to a constitutional level,” said Hendricks. “When the case gets to the Supreme Court, even the most liberal justice could become conservative.”

The bottom line. The President’s power excesses may permanently weaken the Executive Branch for future presidents.

Will the President back off and use damage control? Or, will he create the most serious constitutional arguments in the last 100 years?

Robert Genetski’s Weekly Financial Update & Stock Impact Gauge

	Fundamental	Actual	Immediate Outlook
Fixed-income: 10-yr Treas.	5.0	1.99	heading higher
Equities: S&P 500	2000	1498	heading higher
Equities: Dow Jones	16,000	13,861	heading higher

Recent economic numbers include a number of distortions. Correcting for these distortions it appears the economy in December and January continues to increase on much the same path of the past year.

Market Outlook Stock prices edged higher this past week as most of the key indexes moved up roughly ¼%. The exception was the S&P 500 which was down 1%.

Markets shrugged off what appeared to be bad economic news. Reports of a sharp drop in consumer confidence and a contraction in fourth quarter GDP failed to depress stocks. This resilience is a positive development. It suggests investors aren’t easily spooked by misleading reports.

Stocks are running into resistance in the 1500-1510 vicinity of the S&P 500. Trading volume is inconclusive, but with the indexes above their 10-day averages and the 10-day averages well above the 50-day averages, upward momentum continues. Hence, the odds continue to favor further gains in stock prices.

Longer-term interest rates also moved higher this past week. As with stocks, the momentum for longer-term rates is in an upward direction. Given this momentum, the odds favor further increases in longer-term interest rates.

