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Commercial Corp Finance,  
D/B/A of Gary Meyers Realty, Inc., founded 1977.  
Provides Real Estate Consulting and Lending Service.

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## THE MEYERS REPORT Economic Notes

### Energy Industry Powering Economic Recovery Won't be Stopped



Another pipeline. Between now and 2015, ONEOK Partners is planning to spend \$1.5 and \$1.8 billion to develop a 1,300 mile pipeline for crude oil, with a daily capacity of 200,000 barrels. The route will go from the Bakken field south to Cushing, OK, a major distribution hub.

HUMOR



## Case in point ...

"In addition to providing financing, CCF solves problems. The only thing that slows them down is a client who withholds or imparts inaccurate information. When my clients were in trouble, they brought more resources to the table than I knew existed with any one organization—and they did it quickly. My clients were astounded by the CCF team's tenacity, dedication, and achievements."

I. J., referring real estate attorney for group of clients

**Challenges:** Foreclosure, Diverted Funds, Personal Guarantees, Expired TIF, Expired Approved Land Plan, Engineering Problems, D.O.T. Permits Non-Existent, Local Municipal Officials Angry.

**CCF Action:** In 10 working days over the Christmas and New Year holidays, CCF analyzed the property and market conditions with their engineers and real estate market researchers. Simultaneously, CCF examined all entitlements and TIF agreements with their associated land use legal team, came up with a plan, and met with the lead bank on January 2nd. Almost immediately, the bank slowed and then stopped all foreclosure efforts.

**Conclusion:** In under a year CCF: arranged for the bank release of all clients in the group and their respective personal liabilities; negotiated the property sale to a new buyer and shifted the liability of the second mortgage holders to the new property buyer; and influenced the attitude of the municipality from resentment to full cooperation.

**Bottom Line:**  
Call CCF 224-715-5555.  
Chicago, IL

# THE MEYERS REPORT

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

## Where Government Can Do Things Right

Last week we covered why and where government spending is bad for our economic health. This week we are covering areas where the U.S. did it right.

**The Manhattan Project** was the first major government investment in research and development. As a result, a whole new world opened up; from theoretical physics to industrial techniques and products. Major advances in medical diagnoses and treatment also came out of this program, not to mention power.

**1950s Interstate highway program.** The development of the Interstate Highway System initially was a defense program. It was designed for transporting troops around the country at 100 miles per hour—a defense against foreign invaders. It cost roughly 3%-5% of the entire federal budget and was funded largely from taxes on gasoline, which was in greater demand because of our expanding economy. Here was a case where government focused taxpayers money and used it more efficiently.

The Interstates opened up the entire country to development; the expansion boom of the 1950s and 1960s ensued. It drove the auto industry, manufacturing, technology, and connected the whole country so that free commerce within the lower 48 became a functional reality. The U.S. became the economic juggernaut that was the envy of the world.

**The Internet** also began as a defense program, connecting universities for research and development (Al Gore was roughly 8 years old.) and we all know where the internet is today. It drives commerce and creates means of communication on a world-wide level that has never before been imagined or seen.

**The U.S. Navy nuclear program** which began in the 1954 with the launch of the first atomic naval vessel, the submarine USS Nautilus. Since then the Navy has had hundreds of N-powered ships without a single accident. The Navy's shipboard reactors are powerful enough to provide electricity to cities, and have done so in times of blackouts.

**Development of the computer chip program** really got started during the Lyndon Johnson administration in the 1960s. At the time the Department of Commerce went to the Defense Department and said that they needed to develop a technology for US industry that could not be copied and would give us a competitive advantage. In response, the Defense Department ponyed-up \$400 million a year for nearly seven years.

When the product was ready, the Defense Department bought chips, even though there really was no use for them, because computer development had yet to begin, and needed the chip to bring computers alive. The rest is history.

**NASA and the space program** got started as a political agenda under President Kennedy. However, it was run by engineers without a political agenda. The result was major breakthroughs in science technology and products that today we could not live without, including composite materials that make joint replacements very routine today.

It was only during the Clinton administration that the Vice President (Al Gore) became the de facto head of NASA and the space program's productivity began to decline drastically.

**The bottom line:** All of the above programs thrived when the government laid out some guidance and a little earnest money. The government found out what industries were theorizing that could be done with technology and then the government stepped back. Industry picked up the ball with their own cash and development soared.

"The Navy's nuclear program worked without a nuclear accident from then to today, because we were not hampered by regulators who did not know as much as the people working on the projects," Charles Husson told **THE MEYERS REPORT**. Husson helped design and install the gauging systems on the Nautilus. "I knew Hyman Rickover, the father of the nuclear Navy. He was a stickler for procedure and back-up systems. He demanded continuity of designs and he always kept the bureaucrats away."

It was the same story for the Internet; the government didn't spend a lot of money, but rather helped organize the universities and generally left them alone to develop the system. This is also how it worked with the computer industry. Government organization and encouragement, sometimes a little capital and then our economic systems took it from there.

According to Husson, who also worked on the R&D for our space programs, the Strategic Defense Initiative Organization and the international space station, "Except for the Manhattan Project, the government never put up more than 10% of the seed capital—for the programs that worked."

## Robert Genetski's Weekly Financial Update & Stock Impact Gauge

|                            | Fundamental | Actual | Immediate Outlook |
|----------------------------|-------------|--------|-------------------|
| Fixed-income: 10-yr Treas. | 5.0         | 1.95   | neutral           |
| Equities: S&P 500          | 2000        | 1377   | neutral           |
| Equities: Dow Jones        | 16,000      | 12,964 | neutral           |

It was another erratic week for the stock market. Economic news was mixed with the main negative being a jump in unemployment claims. I retain my neutral recommendation with respect to stocks.

**Market Outlook** Stock prices moved lower again this past week. Most of the major indexes declined 1/2% to 1 1/2%. The best relative performance was the Dow which declined by only 0.2%.

An ongoing erratic weakness continues to have the 10-day average at or below the 50-day for most of the key indexes.

A negative trading pattern continues as stocks move higher on lower trading volume and lower on higher volume. In spite of these negatives, the magnitude of the overall decline has been fairly modest with indexes finding support at key levels.

In spite of some mixed economic numbers, fundamentals appear strong. Fed policy remains expansive and by most measures real growth improved in the first quarter. Finally, there are very tentative signs of a slight improvement in psychology in the overall market. Given mixed signals, I continue to recommend equity portfolios retain a neutral or normal weighting.

Longer-term interest rates moved back down this past week with the yield on 10-year Treasury Notes back to 1.95%. The latest retreat appears to negate any uptrend. Longer-term interest rates are back in the range that has existed for the past eight months.

