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January, 2016

WE ARE MAD!.....YOU SHOULD BE MAD!

I MEAN....WHAT THE HELL IS GOING ON WITH OUR ECONOMY??

Our Economy is still “sort of recovering” at a frustratingly slow pace.... with Stagflation the reality of our everyday life. No bigger paychecks...no increase in income slow stagnant economy... more expensive everyday purchasesmore regulations more frustration!

Is our new reality “The Groundhog Day Economy” ...?? It just never changes and never gets much better!

Have we have entered a time of the “endless recovery” never again an “Expansion” a perpetual ho-hum ... anemic going nowhere “recovery” that just goes on and on and on.

After a recovery is supposed to come an Expansion.....

maybe we will never get back to a real Expansion....The good times do not roll on ...Is this what we want for our future??????? Are you ok about this??

.....Lower standard of livinglesser quality everything.
.....Less money for retirement.....forget the cruises.....
Next generation is not better off.....still living at home with the parents.
.....Less resources for our military and defense.... not good.....
Less resources for social needs.....also not good.....Less money for the schools.... really not good.....Less money for your medical and health needs...uh oh.....



Lot's more homelessness.... shanty towns will grow...very sad.

You get the point.....no real Expansion....no better prosperity....

WE ARE MAD!!!

PERSPECTIVE

Average annual U.S. growth rate from 1950 to 2000....50 years....3.6%!! You were there...you lived it...3.6% per year... this was the average!!

Many years the Economy grew as high as 5 to 8%!!! Now Average annual U.S. growth rate from 2000 to 2014....15years.....1.6%!! WHAT!! Did we get that rightonly 1.6%!!

DO THE MATH....For the last 15 years our Economy has been growing.....less than half... of our historical average!!

[Think of this a working 35-year-old person today has never lived...as an adult... in a good economy.... they have lived only in a below average economy]

No wonder the younger generation is still living at home.No wonder the average wage per hour is flat. No wonder the business confidence index is flat.

Sand.....for the first nine months of 2015 we are averaging.2.2%.UGH.

CURRENTLY....STILL.... WAY BELOW AVERAGE

BOTTOM LINE

How does this affect our everyday life?? In the last 15 years1996 to 2015 the Bay Area median income increased 60% (3% a year)BUT..... housing costs increased by 400% (20% a year !!) So....how does this imbalance between income and housing costs affect us? How does this low wage and income growth affect us? Well....how about an affordable housing crisis...how about homelessness...?how about lower housing standards ...crowded conditions.... traf- fic.... etc.

AND WHAT DOES THIS MEAN IN DOLLARS AND CENTS?

If you take the growth rate, we actually had from 2000 to 2014 and compare this 2% rate to the historical average of 3.6%.....



IT MEANS \$ 9 TRILLION DOLLARS WERE NEVER PRODUCED...WE WILL NEVER HAVE THIS PROSPERITY...IT IS GONE!!! NEVER EARNED....NEVER PRODUCED....

In other words, lower production of goods and services has big time future consequences.... we produce less and get in more debt.... this is long-term bad!! You will have a whole lot less money in the future.... ..and with less money comes less prosperity for.....many things \$9 trillion less things

Wow....America is producing a whole lot less than it used to....Well then the important question is.... how much less?

So....how does the productivity of America today compare to the productivity of America past?

Unfortunately, not very good.....notice the down trend.....ouch...

In the 1970's our annual production rate increased 62%....	In the
1980's our annual production rate increased 48%....	In the 1990's
our annual production rate increased 31%....	From 2000 to 2009
the rate increased only 23%.... and.....	the last five years
.... a dismal 19.6%.	

PERSPECTIVE

OUR ABILITY TO INCREASE OUR PRODUCTION OF GOODS AND SERVICES IS ONLY ONE-THIRD (1/3) OF WHAT IT WAS 30 YEARS AGO.

WHAT HAS HAPPENED TO AMERICA!!!

WHAT WILL HAPPEN TO AMERICA IN THE LONG-TERM?

Feels like Americans are in a bad relationship....Your partner is spending more money than you are making.....and it's getting worse each year....Debt goes up.... money goes down.... like a relationship going bad.....you know.....this is not going to end well.

Here is the math

From 2013 to 2014 the productivity went up \$663 Billion....



From 2013 to 2014 the Federal Debt went up \$1.1 Trillion!!

UH.....we went upside down by \$437 Billion.....oops....wrong way...

Thisis not going to end well

You see.... if the productivity was at a 4 or 5% rate...or more.....then an increase in debt would not be so alarming.... but when the debt is going up faster than the money (productivity)you have a basic problem.

And what would be a better ending to the current sad economic story....

How about an economic Expansion!

WHAT DO WE MEAN BY EXPANSION.....

- Expansion IS the “good times”.
- A period of time in which gross domestic product productivity... substantially increases.
A period when business activity surges until it reaches a peak.
- NATIONAL BUREAU OF ECONOMIC RESEARCH
 - A recession is a period between a peak and a trough.
 - An expansion is a period between a trough and a peak.

Solo.....what is a trough?? what is a peak?? A trough is the bottom of the business cycle. The point that marks the end of a period of declining business activity and the transition to expansion.

Historical annual bottoms:

- 1954.....- 0.6
- 1958.....- 0.9
- 1974.....- 0.6
- 1982.....- 1.9
- 2009.....- 3.5.....worst recession year



A peak is the highest point between the end of an economic expansion and the start of a contraction.

Historical annual high points:

1950.....+ 8.7 the good times really rolled

1951.....+ 7.7

1955.....+ 7.2

1959.....+ 7.2

1984.....+ 7.2

How do we measure a trough and a peak??

We use the GDP (gross domestic product) as our indicator... but ... please bear in mind there are many ways to measure the Economy.... real income...economy-wide employment.... etc.

So. using the GDP as an indicator.... what does an Expansion look like?? Since 1950.....the last 65 years.... some of the expansions from trough to peak looked like this

1954....minus - 0.6... to one year later... + 7.2 a 7.8% expansion.... WOW!!

1958....minus - 0.9... to one year later.... + 7.2an 8.1% expansion. Another WOW!!

1982....minus - 1.9... to two years later. + 7.2a 9.1% expansion.... big WOW!!

2009....minus - 3.5... to two years later. + 3.5 a 7.0% expansion....

PERSPECTIVE

Of the four expansion cycles noted above:

The expansion for the years 1954, 1958, and 1982 was roughly 8 to 9 %... and the expansion period was one year.

The expansion percentage for the year 2009 was only 7%.....in two years.

And ...as significant...the top growth rate achieved at the top of the expansion for



the years 1954, 1958, and 1982 was 7.2%

Comparatively....the top growth rate achieved at the top of the expansion for the year 2009 was 3.5%.... only half the high point of the prior expansions. (7.2 % vs 3.5 %)

Meaning....the 2009 “Recovery” ...in the two-year period until 2011....was a “Recovery” but.... comparatively....at half the pace....and half the final productivityas prior recoveries?????

AND SINCE 2011??

For the last 5 years the GDP growth rate has averaged an annual rate of approximately 2.2 % Not very good.So America did have a “Recovery” from the 2009 recession..... but we have not have an Expansion from there.... in other wordsno Expansion....no “substantial increase”.What we have had is Stagnation....a growth rate barely half of the historical 3.6% average.

REPORT CARD

Okthe kid came home with the report card hmmm.

Let’s see recovered from the 2009 downturn at half the results of prior downturns. Ok....recovered...that’s good.... slow and anemic.... not very good.

Let’s see since 2011 we have been in a positive GDP growth rate.....but.... at 2 %.... it’s ok...but not very good.

And.... we have not currently recovered to anywhere near a growth rate of 7.2 %.... which prior recoveries and expansions achieved.

So.....our grade for the kid is.....“C-”

What has happened to America that has kept the economy from “sub-



stantially increasing” and actually having a robust Expansion?

Why are we stuck in this slow motion, “C-” economy?

What has caused this??

There are obviously multiple factors that are contributing to this long-term slow-down of our Economy. A few of these are:

The demographic curve

is changing with the “baby boomer” generation entering retirement years. Spending habits change in retirement with less spending and this generation has been 40% of the spending in America for many years. That 40% will change for the negative.

Globalization....

American jobs moving overseas with competition from the emerging economies from a more accessible world. Higher paid jobs replaced by lower paid jobs as we have been moving from a manufacturing based economy to a service economy.

Cultural changes in America....

-the younger generations getting married later and not beginning families and households with the resulting spending and consumerism. In 1960...12% of young adults were never married..... today....49%.

New business formation

-is at a 35 year low - is both a cause and a consequence of cultural changes.

Income tax system

-is a major drag on the Economy. In 2012 the American people spent over 3.2 billion hours filing Federal tax returnsat a cost of \$37 billion.

American businesses spent over 2.9 billion hours complying with

-the business income tax code....at a cost of \$162 billion.

The cost of compliance and administration of the Federal Income Tax system is estimated at \$431 billion. (30 % of income taxes collected).



Creeping inflation

-in an environment where there are no wage increases. Many consumer areas...like housing...the costs have risen much quicker than wagesno money left to buy anything else.

Government spending

-has continued to increase over the years as a portion of the GDP (America's productivity). In the 1990's and 2000's government spending stayed constant at 33-35 % of GDP ...but...in the last 6 years' government spending has increased to 40% of GDP.

Change in the workforce....

-the labor participation rate of 62.8 % is the lowest since 1977.....lots of people not looking for work. Since June 2009.... the U.S.economy created 2.6 million jobs.... Since June 2009.... 3.1 million workers signed up for disability benefits. In 1992 there was one person on disability benefits for every 36 people employed.....today...the ratio is one to 16.

Environmental regulations...

are estimated to cost roughly 2% of GDP. For 2014 that would cost roughly \$ 360 billion.

AND.... one of the biggest factors in slowing the American Economy is the growth in government regulations and bureaucracies.

In the last 15 years there has been explosive growth in government involvement with the economy.... on all levels...Federal, State and Local.

Included with this newsletter is a section on REGULATION NATION. This section will give you some insight into how regulations affect our everyday life and economy. (Be in a good mood before you read this section).

Anyway.....regardless of the future



we are currently stuck in our slow motion “C-” economy.

CURRENT POSITIVE TRENDS

- Good December jobs report of 292,000 jobs.
- Consumer Confidence increased for the fifth straight month.
- Auto sales were at the highest amounts ever.
- “Tax Extenders” were extended.

CURRENT NEGATIVE TRENDS

- The manufacturing index declined to 48.5....any number less than 50 is considered a contraction.
- DOW JONES stock index declines back to 2013 levels.
- Global recession is possible with economic problems in the major economies of China, Japan and Brazil.
- No wage growth.

In other words, some up.... some down.... some up...some down. But....unfortunately.....NO Expansion[we can only dream]

What do the “crystal ball indicators “indicate??

Included at the end of this of this newsletter is a chart of 20 common indicators used to measure the Economy ...EXHIBIT A

In the second six months of 2015 ... the indicators indicated:

ROUGHLY POSITIVE.....3.....15 %
 ROUGHLY NEGATIVE.....6.....30 %
 BASICALLY NO CHANGE.....11.....55 %

TOTAL INDICATORS	20	100 %
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Unfortunately, the indicators say....no Expansion.....basically still flat...

And the stock market ...



The stock market will continue to reflect the stagnant Economy. The market will stay relatively flat.... with very little to no growth. Could go down with spotty corporate profits... increasing interest rates... uncertain politics.... both National and International

DOW JONES index retreated back to December 2013.....

DOW JONES January 7, 2016.....16,514

DOW JONES December 31, 2013.....16,577

In other words, it has been flat for two yearsearning nothing.....zippo....

Expect the same for 2016.

!!

WARNING: Given the general stagnation of the current Economy..... and weak growth at 2.0% or less.....international economic weakness..... election year political angst...it would not take much to put our Economy into negative growth.... mild recession not impossible.

FORECAST:

We can best illustrate the stagnant status of our National Economy by referring to the last newsletter of six months ago. From September 1, 2015 newsletter: “Continued slowly improving Economy.... expect more of the same....nothing exciting.... continued certain uncertaintyhigher inflation. We are sorry the forecast is the same as the newsletter of six months agoIt is obviously frustrating to not report and forecast an Expansion economy. And, unfortunately, there is nothing being done by the President’s office or the Congress to have any meaningful effect to improve the current lack of real growth in the Economy. No tax policy... no fiscal policy...no energy policy.... no regulation policy....no nothing’

Do not have any great expectations for the foreseeable future.”

What can we say.....we already said it in two prior newsletters...? Well....unfortunately...we are saying it again. “C-” Economy”do not expect much more for



2016 sorry.

Which is why we are frustrated and getting mad!

But fortunately...we can say good things again for the Bay Area.....

BAY AREA AND MARIN

We can continue to report good things from inside “the bubble” of the Bay Area and Marin.... growth continues to be robust and the local Economy continues to expand in a very strong and positive manner. This should continue into the foreseeable future. This is not boring.... this is fun!! Go Marin!!

We, at Professional Investors, trust the enclosed information will be useful to you in your personal and business financial planning. Enjoy the winter season.

KEN CASEY

LEWIS WALLACH

PROFESSIONAL INVESTORS

We are continuing to prosper in the exceptional Marin real estate market.

Market conditions remain very good for our business. The market is strong with lots of telephone calls and inquiries to rent both apartments and offices. And.....

- First mortgage interest rates remain at historically low levels.
- Rents are continuing to increase at a good pace.
- Still no real construction of any multi-residential or office properties.
- Business environment continuing to grow with the expansion of local business and companies moving in from San Francisco.



Ideal conditions for safe, reliable investments in the Marin real estate world.

And...in fact.... since 2013 the recent investments PFI has organized under Limited Liability Companies (LLC's) have been performing as projected.

- Quarterly distributions at a 6% non-taxed annual rate have been made consistently and timely.
- Properties have significantly appreciated with the value added from rent increases. These increases in value are confirming our overall projections of investment returns between 11% to 16%.
- Improvement, maintenance and repair projects have been completed in a normal and expected manner and within budget constraints.

In other words, all is good.

In addition, the recent residential and commercial Property acquisitions by the Company have also performed well and have been stable and profitable.

Again....in the exceptional Marin County real estate market.....all is good.

INTERNET VISIBILITY

The Company has been actively developing the visibility of the rental properties and Company on the internet.

We are continuing to create a very active internet presence for purposes of renting apartments; renting office suites and providing Company information.

INVESTPFI.COM

- This site provides an overview of the Company;
- Contains elaborate power point presentations on Company Properties – both multi-residential & commercial;
- Has historical information on prior transactions;
- Access to 9 economic newsletters from 2011 to 2015



PFIINCORPORATED.COM ([MARIN APARTMENT HOMES. COM](http://MARINAPARTMENTHOMES.COM))

- This site is to advertise available rentals at both the multi-residential buildings and the commercial properties.
- Contains pictures of available rentals with rentals rates, floor plans and other relevant property and rental information.
- Contains elaborate power point presentations on Company Properties – both multi-residential & commercial;
- Contains download versions of lease applications, rental agreements and community rules and regulations.
- It contains links to County of Marin websites.
- It has all contact information.

INDIVIDUAL BUILDINGS

- The individual Properties....both multi-residential and commercial.... can be accessed by specific building names.
- Some of the buildings have specific sites unique to the building.
- Other buildings will refer back to PFIINCORPORATED.COM

UPDATE ON REAL ESTATE PURCHASES

[IGNACIO HILLS TENNIS & GARDEN APARTMENTS](#)

Completed the purchase of a 16-unit multi-residential building located at 481 Ignacio Blvd. Novato, for a purchase price of \$4,500,000.

[BOYES SPRINGS](#)

Completed the purchase of an 8-unit multi-residential building located in Sonoma on 355 Boys Street, for a purchase price of \$1,800,000.

[THE NOVATO CENTERPROFESSIONAL INVESTORS 27](#)

Completed the purchase of a quality, three (3) story, 35,950 square foot office building with forty-five (45) office suites, including street level retail, located at the corner of Grant Avenue and 5th street.



The building, with excellent tenants, and located in a prime downtown Novato location, was purchased for \$4,500,000.

NORTHBAY CENTER

The Company is in escrow for the purchase of an office building lo-
cated at 7200 Redwood Boulevard in Central Novato. This
54,777 square foot building is being purchased for \$6,600,000.

350 IGNACIO BOULEVARD – SUITE 201

minium for \$ 969,000. The office is located in the same building as the Corporate and Management offices of Professional Financial Investors, Inc.

TAMAL PLAZA PROFESSIONAL INVESTORS 26

The Company is in escrow to purchase a 21,569 square foot prime office building in the excellent location of Tamil Vista Road in Corte Madera. There are 22 of-
fice suites with quality professional tenants. This
100% occupied building is being purchased for \$8,250,000.
This investment will be organized in a Limited Liability Company.

MARVELOUS MARIN

CHECKING THE VITAL LIFE SIGNS

BUSINESS EXPANDING IN MARIN

Restoration Hardware....luxury home furnishings.... are planning a two story
67,000 square foot expansion at the Village Shopping Center in Corte Madera.

BioMarin recently aggressively expanding in San Rafael is continuing the expansion with the building of a four story office building with an additional six-story parking structure.

Copperfield’s Books is coming to downtown Novato....the small chain bookstore with seven locations in Marin is opening at the corner of Grant Ave. and Redwood Blvd.

UNEMPLOYMENT

Marin County posted a 3.3 % unemployment rate at the end of the year.
(one year ago the rate was 4.1%). After San Mateo...Marin was the lowest unem-



ployment rate in California.

STILL HIGHEST INCOME

2013 Median income for couples filing income taxes jointly was \$133,389.... the highest in California and an increase of 5% over 2012.

2013 Median income for singles filing income taxes was \$57,244.... the highest in California since 199917 straight years on top not bad.

STILL EXPENSIVE HOUSES

A 12,000 square foot Belvedere mansion built in 1895, with 360 degree views was sold for \$47.5 Million. This is the highest recorded sales price in Marin County residential housing history.

In the first eight months of 201548 homes valued at more than \$4 Million... were sold. (20 years ago...in 1994... the most expensive home sold for \$5.5 Million).

COUNTY BUDGET

The Marin County Budget is strong and stable as revenues from taxes increase. This year’s budget of \$519 million allowed for a generous \$12 million in “discretionary payments”. (not tax refunds.... that would be too novel an idea.)

ENVIRONMENT

---Tiburon will become the first Marin municipality to require solar installations on new homes.

---The pollution watchdog ... “Heal the Bay” gave all Marin beaches tested an “A” or “A+” rating.

POPULATION

In 2015 Marin grew at a slower pace increasing .44 percent to 261,663..... 1,149 new residents. (.88 increase in 2014 at 1,704 new Marinates; ...1% increase in 2013at 2,263 new residents.)

NEW SERVICES



One in five of Marin's residents are over 65 and require senior transportation to respond to this need the Town of Sausalito began a program in 2015 to provide free, on demand rides for senior residents. Maybe this service could spread to the rest of the County what a concept!

NEW MUSEUM

The new Marin Museum of Bicycling was opened in Fairfax. Visitors can follow the history of cycling from 19th century Idlers to modern-day, high performance mountain bikes.

PERSPECTIVE

Size of local government growing? In 2010.... 1,849 full-time County employees. In 2015.... 1,933 full-time County employees.
84 new employees ...17 per year.

New employeesso what? Well...how about a \$678 million unfunded pension liability....that you are responsible for a piece of... how will you pay for it? how about higher taxes and reduced servicesor no services and higher taxes.

REGULATION NATION

For the last 20 years....24 hours per day...365 days a year...there has been... a new regulation every.....two hours and nine minutes!!!!

Yikes.... and..... just how many regulations are we Americans subject to?

If you look at EXHIBIT B..... by the end of 2013.... we Americans have a grand total of 938,000 Federal Regulations.....and....and

By 2016at the current pace.... you.....me.... your neighbor.... your co-worker....

We Americans will have over a MILLION regulations!!!!

How wild and crazy we must have been.... to need a MILLION regulations to keep us under control ...!!!

And how many more regulations do you think we need??? Another million???



ARE WE UNDER CONTROL YET???

OH....and you would like to look up and read one of these regulations?
No problem....

You just look up the Code of Federal Regulations (CFR).
which...by 2013 was.....are you ready.....175,496 pages!!

OH....and you haven't had enough brain damage yet...well.... again.....no problem... Let's go look at The Federal Register.... This is the official daily publication for rules, proposed rules, notices of Federal agencies and organizations, and Executive orders. This is the source of regulations for U.S. government agencies. And... get a big cup of coffee.... for the year 2015....the register was 81,611 pages. An all-time high and....unfortunately.... the trend is getting higher ...more pages!! Jeez

[In 1936.... the number was 2,600 pages for the year].

PERSPECTIVE

1950's.....5 regulations passed.... per day.
1960's.....11 regulations passed.... per day.
1970's.....23 regulations passed.... per day.
1980's.....25 regulations passed.... per day.
1990's.....65 regulations passed.... per day.
2001- 2010.....105 regulations passed.... per day

Notice the trend.....yeah..... up.....

Why do we need 20 times more regulations passed today than in the 1950's? Really?

SECOND PERSPECTIVE

From 1951 to 2000.....463,666 Federal regulations were passed.

From 2001 to 2013.....470,692 Federal regulations were passed.

In other words, more regulations were passed in the last 13 years....



then in the 50 years from 1951 to 2000.....

That's scaryAmerica land of the free?

So you ask.... whether you agree or disagree with the regulatory atmosphere

How much do all these regulations cost us Americans?

Well...per the 2014 National Association of Manufacturers Report...

How about \$2 Trillion per year!!!!

NOTE: We sure hope Americans like what we are getting from all these regulations..... because we sure are paying for them.

And....more sobering regulation news.

A Small Business Administration study found that the average cost to business of all Federal regulations..... per yearwas \$ 10,585 per employee.... \$ 5 per hour!

And we wonder why employers are slow to hire and not increasing paychecks.

Well....maybe regulations are crushing the life out of America's paycheck!!!

And you know what's funny.....the mountains.... no....not big enough.... the mountain ranges of paperwork that all these regulations have created. How much does this cost??

Under the PAPERWORK REDUCTION ACT enacted in 1980 all government agencies have to consider the paperwork burden associated with regulatory actions. Ha ...H a... Ha....That's a joke.

Take the paperwork of our health care system Every hour spent treating a patient creates at least 30 minutes of paperworknow that's real efficient. And to increase the efficiency....in 2013 the number of federally mandated categories of illness for which hospitals can claim reimbursement increased from 18,000 to 140,000!!

How about these new categories:

- 9 codes



relating to injuries caused by parrots...?

3 codes related to burns from flaming water-skis. How does THAT happen?

OUR FAVORITE RIDICULOUS REGULATIONS:

- The Federal Railroad Administration requires that all trains must be painted with an “F” at the front, so you can tell which end is which.

- In Colorado, the “Code for children nurseries” specifies how many crayons each crayon box must contain.

- In Lake Elmo, Minnesota, you can be fined \$1,000 and put in jail for 90 days for selling pumpkins or Christmas trees that were grown outside of the city limits.

- In Indiana, it is illegal to attend a public event or use public transport within 4 hours of eating an onion or garlic.

- In Arizona.....if you are found stealing soap...you must wash yourself until the bar of soap is completely used upand... the best one.

- In Washington State....you can be arrested or fined for harassing BIG-FOOT.

OUR FAVORITE RIDICULOUS REGULATION STORY

“Juanita the Duck”

THE STORY BEGINS



Juanita a mallard duck.... was born two years ago at the Bello Gardens Assisted Living Home in San Angelo. Happily, Juanita spent a quiet life roaming the gardens; sitting and socializing with the 25 senior residents; and, being loved by all. But....one day.... Juanita flew into a neighbor's yard.

TROUBLE LOOMS

Unfortunately Juanita was taken to the Wild Care facility in San Rafael and placed in solitary confinement. When the seniors requested to have Juanita returned to them the agency told them they were not legally allowed to return Juanitato say the seniors were upset would be an understatement.

THE PLOT THICKENS

Juanita quickly became a protest and 10,000 signatures were collected in an on-line petition to “return the duck”. Consequently.....Bello Gardens, Wild Care, U.S. Fish and Wildlife Service and State Representative Jared Huffman worked together to bring Juanita home.

THE BUREAUCRACY TO THE RESCUE

After much commotion, U.S. Fish and Wildlife finally approved Bello Gardens application for a permit designating Juanita as an “educational bird”. After 90 days in solitary confinement, Juanita waddled out of her cell.... a free bird....and was returned to her home.... just in time for Christmas {Merry Christmas!}

THE EXPENSIVE ENDING (OR ... HOW MUCH DOES THE BUREACRACY COST?)

- A) To qualify as an “educational bird” required the hiring of an educator as one of the conditions of the permit. Consequently, an associate professor from Dominican University will be required to write a curriculum to co-teach with Juanita.
- B) The Home was required to build an elaborate structure.... including a pond and a perch.... for \$2,000.
- C) The Home is required to purchase special, expensive bird food.

[Thank you to the bureaucracy for providing stories that we could not make up.]



HOW DO FEDERAL REGULATIONS AFFECT OUR LOCAL BUSINESS??

How about “COOL” “COUNTRY OF ORIGIN LABELING” is a requirement signed into law under Title X of the Farm Security and Rural Investment Act of 2002 and 2008.

This law requires retailers to provide country - of - origin labeling for fruits, nuts, vegetables, fish and meat products.

That doesn't sound too bad it's just some labeling...right? Can't hurt ...right?

Well....ask the wine industry people who are furiously lobbying Congress to repeal this law.

C'monhow much can this really affect our local wine industry?

How about hugein ways you would never think of....

So here is the convoluted back story.... [this only can happen with governments]

- The final “COOL” rules were adopted in January 2009.
- The governments of Canada and Mexico filed a suit with the World Trade Organization claiming they were being discriminated against.
- In 2011 the World Trade Organization ruled in favor of Canada and Mexico but the U.S. did not agree to this ruling and appealed....
- In 2012 the World Trade Organization ruled against the U.S. and the U.S. made some limited changes but...the beat goes on....
- In 2013, Canada and Mexico again filed a complaint with the World Trade Organization and again
- In 2014....the World Trade Organization again ruled in favor of Canada and Mexico
- but the U.S. continues to affirm its right to require country - of - origin labeling.

Okay...so we ask again...how does this effect our local wine industry?



BECAUSE....the WTO in December granted Canada and Mexico the right to place more than \$ 1 Billion in retaliatory tariffs on U.S. products.

And... guess one of the U.S. industries that is going to be retaliated against?

You got it.... the wine industry is on the list uh oh.... that's bad!!

And what does the Wine Institute say.... “Retaliation by Canada and Mexico would set our wine exports back decades and cost billions of dollars in lost sales over time.”

This is a classic example of the “Law of Unintended Consequences”. A seemingly simple law about specific labeling of some food products would result in trade barriers between the three neighboring countries of North America. And unfortunately, our local Sonoma and Napa county wine markets will probably be directly impacted.

How could you figure that??

U.S. Department of Agriculture estimates that the COOL regulations, implementation and record keeping requirements, will cost as high as \$3.9 Billion in the first year and \$450 Million per year thereafter. Currently, these regulations have cost the meat industry approximately \$1.8 Billion.

So... whether you agree or disagree that this type of government regulation is needed..... it is clear it has a costto our local Northern California Economy.

AND WITH ALL THESE REGULATIONS FOR US AMERICANS...

HOW EFFICIENT ARE THESE REGULATORS WHO PUT THE REGULATIONS ON US??

Well...let's see

How about we talk water supply in California.....



ISSUE: The water supply could be easily increased by increasing the height of the existing 602 foot Shasta Dam by 18.5 feet. This would effectively add the equivalent of another reservoir.

FACTS:

- 1) 1,400 major Federal and State dams.
- 2) 1,300 reservoirs.
- 3) The last big water crisis was in 1975 - 1976....40 YEARS AGO!!
- 4) In 1980.....population was 23 million.
- 5) In 2015.....population was 39 million.
- 6) Last major Federal and State dam was completed in 1979.

RESULT: The Federal Bureau of Reclamation has been “studying” the idea since 1980!!! Nothing has happened to date.

COMMENT:

Are you out of your mind!!!

In 35 years the bureaucrats can't figure out what to do with one dam!!!!!! And we are talking about increasing the height by only 3%.....3%! (18.5 feet out of 602 feet).

WHAT!!!!!!

Let me give you some perspective

In 1933 the California Legislature authorized the construction of the Shasta dam. In 1937 construction began.

In 1945...construction was finished....26 months ahead of schedule. (Imagine that!).

This was a 602 foot arch - gravity dam...when completed was the second highest dam in the world.... second only to the Hoover Dam. (today...it is ninth in the U.S.).



During the Great Plains Dust Bowl years of the 1930's there was also a severe drought in California from 1928 to 1937. Apparently...the Bureau of Reclamation...at that time...was more efficient in dealing with the crisis and built the second highest dam in the worldat 602 feetin a 12-year period.

Today... the Bureau of Reclamation...cannot seem to build 18.5 feet...in 35 years!!!!

COMMENT

40 YEARS AGO there was a drought.... right?

ht?

And the bureaucracy was here in the

1970's right?

The population has

increased over 16 million people! ...right?

It

seems ...in the past...like the 1930's...the bureaucracy built some big

dams. Water crisis...more people...build dams fast.... makes sense....

worked for the last 70 years ...pretty good job Seems obvious...right? Wrong ..

..

For whatever reasons our

bureaucracy stopped building dams in 1979. HUH?

The population has in-

creased 70% We don't need more water?

Don't totally

get it.....wonder how much this bureaucracy has cost us??

AND WHAT ABOUT THE "RED TAPE"

Remember the \$9 Trillion in lost productivity??

Well...here's an example of how that happens.....

In 1994...21 years ago....in a galaxy far far away... a building project was proposed for North Los Angeles County.....The Newhall Ranch Proj-

ect....housing

ing for 60,000 people

.....

.....thousands of construction jobs

.....

.....thousands of permanent jobs at stores and schools

.....a "green, energy-efficient" project.

Many studies and reports later...and many years... finally... in 2010... the Depart-



ment of Fish and Wildlife approved.....a 5,000-page report needed to comply with the 1970 California Environmental Quality Act (CEQA).

The report included restoration measures for the coast horned lizard, the big-eared bat and the unarmored three-spine stickleback everything good.

Hooray....ok...ready to move forward.... yeahuuh...no.

Incredibly...The Center for Biological Diversity and other environmental groups sued again under the provisions of CEQA and...

. The California Supreme Court subsequently rejected the environmental-impact report.... a decision that will delay the construction for years.... and cast a pall over any other future development.

So... whether you agree or disagree with the building of housing in California... There is no doubt these delays cost jobs, productivity gains and future standard of living.

Newhall Ranch appears to be one more human economic sacrifice on the altar of the greater environmental good.

PERSPECTIVE

Why are houses so expensive???Well...reality - check....

Housing costs are dramatically driven up by difficult building regulations, lawsuits and planning processes ...oh.... and...by the way.... the population is still increasing.

..And....that old-fashioned supply - demand thing is still around...sort of like gravity.

Median house price in Los Angeles.... \$507,000.

Median house price in New York... ..\$412,000.

Median house price in Dallas.....\$210,000.

AND WHAT CAN EXPENSIVE BUSINESS REGULATION REALLY COST??

A law called Sarbanes-Oxley, passed in 2002.



The “Public Company Accounting Reform and Investor Protection Act” significantly increased paperwork requirements for American public companies. It imposed new regulations, financial reporting requirements, internal control procedures, and criminal penalties. It was intended to protect investors from the possibility of fraudulent accounting activities by large corporations.

And....what happened??

In 2002.....93% of new offerings were American7% foreign.

In 2014.....78% of new offerings were American.....22% foreign.

In other words, foreign offerings tripled and U.S. offerings declined 15%.

Hhmmmm.....We are not sure that the investors of America are in any better or safer position.....but for sure we have less jobs from this lost business!!!

These new regulations have made it so difficult to list shares on the American stock market that firms have left the Country for foreign markets, or have chosen to remain private and not be on the U.S. stock exchange.

A 2012 Wall Street Journal editorial stated “One reason the U.S. Economy isn’t creating enough jobs is that it’s not creating enough employers. For the third year in a row the world’s leading exchange for new stock offerings was located not in New York, but in Hong Kong.”

PERSPECTIVE

In 1983American companies were 99% of the initial public offerings.

In 1996.....the highest year of public offerings...710 new offerings...

American companies were 91% of the initial public offerings.

From 2002 to 2014 the U.S. represented only 80% of new offerings.

Another long term deterioration in our business community productivity and profitability which eventually will affect our standard of living.....going down!

So... whether you agree or disagree that this type of government regulation is



needed..... it is clear it has a heavy cost.

AND HOW DO REGULATIONS AFFECT OUR FREEDOM??

A 2014 report by the Congressional Research Service showed that Congress created 439 new criminal offenses between 2008 and 2013!!!

That is 88 new criminal laws per year wow.... what can they possibly be??

The number of federal criminal laws now number in the thousands.

AMERICA..... LAND OF THE USED TO BE FREE!!!!

WHAT WAS THE WORLD LIKE 100 YEARS AGO1916...?

PROSPERITY\$\$\$\$\$\$\$\$

The United States had the most prosperous year in history. Wages were up.... unemployment virtually non-existent..... output of steel and iron at record levels.....foreign trade at all-time high. Americans buying luxuries like never before..... Ford Motor making cheaper automobiles on the assembly line.....gas was 25 cents per gallon.....

.... the horse and buggy days are endingand...

a new age was born Frank Sinatra December 12 ,1915 ...!!

WAR

BY 1916 WORLD WAR I WAS IN FULL SWING

.....Started July 1914....Ended November 1918.

.....(U.S. entered the war on April 6, 1917)

.....9 MILLION soldiers and 7 MILLION civilians died!

In1916....France...England...Germany....Russia...Italy.....



- Austria-Hungary ...were engaged in mortal combat. -
- In February - Germans attack the French fortress of Verdun .
- In May... England and Germany were engaged in the sea battle of Jutland... largest naval battle of the war.
- In June....Russian offensive against Austria is engaged. - In September....beginning of tank warfare.... on the Somme Front in France.
- In October....German submarines began operating in the Mediterranean Sea and Atlantic Ocean.

POLITICS

Jeannette Rankin....a Republican from Montana...became the first woman ever elected to the U.S. Congress.

Charles Hughes....Republican candidate for President....continuously criticized the Democrat President Woodrow Wilson for mismanagement of the government. It was a very close election in 1916 with Wilson being re-elected with an electoral vote of 272 to 259.

TERRORISM

In July10 people were killed and 40 injured when a bomb exploded during a Preparedness Day parade in downtown San Francisco. Anti-war and isolationist sentiment by labor groups led to this bombing by a radical group. Two labor leaders were convicted.

SCIENCE

Professor Albert Einstein develops a new theory of relativity dramatically changing mankind's view of the universe. PEOPLE

Jack London...the famous author of books of personal survival ... “The Call of the Wild” ... “The Sea Wolf” died at age 40 from a morphine overdose.

Sir Hiram Maxim who...in 1884 invented the first fully automatic machine gun.... died at 76.

MEXICO

General Pershing....with 4,000 troops.... enters Mexico in pursuit of Pancho Villa.