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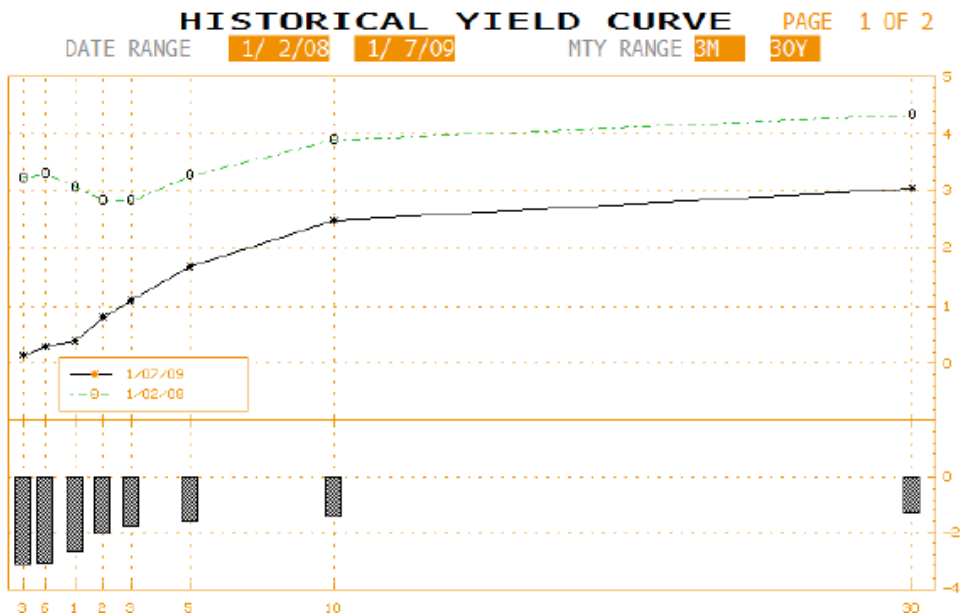
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# Michigan's Economic Outlook

## HIGHLIGHTS



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*“The decline in the housing market, combined with rising unemployment and downturns in the automotive industry have led to a decline in Michigan’s economy.”*

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This paper describes the recent changes to Michigan’s current economic environment. The current economic crisis stems from the decline in the housing market, rising unemployment and downturns in the automotive industry.

### **INTRODUCTION**

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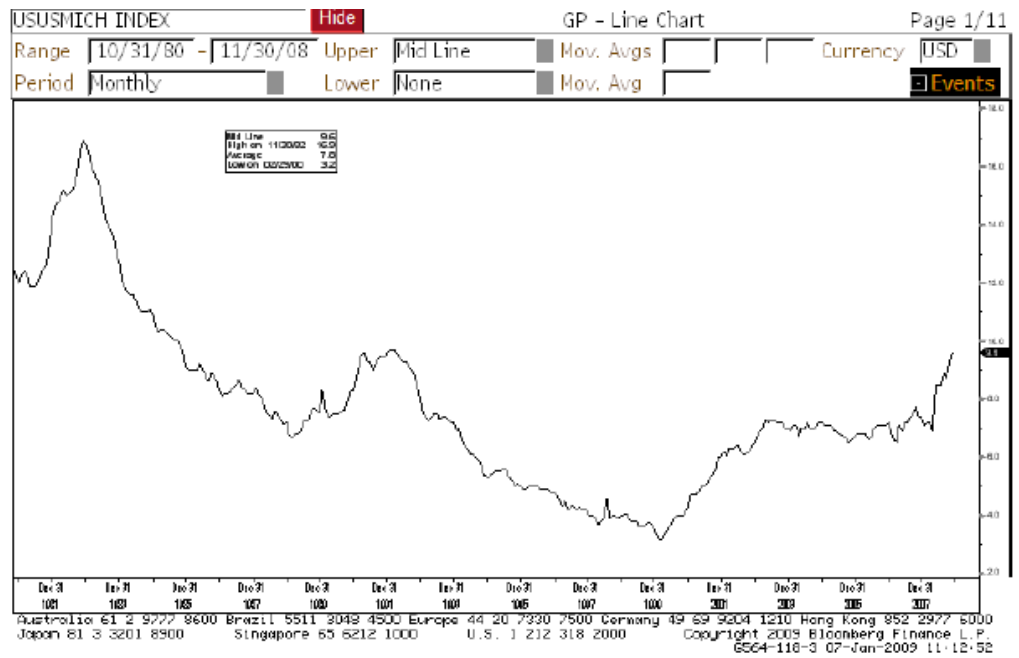
Michigan was ground zero for the housing value readjustment and the resulting economic slump. Unfortunately, the rest of the nation has joined in on the housing slump.

The housing problems have created a recession as homeowners are foreclosed on and credit has become tight. This credit problem has spread rapidly to all corners of the globe, causing a global slowdown.

This has all taken place in the last two years. Reverting to ground zero (Michigan) what do we see in Michigan’s future?

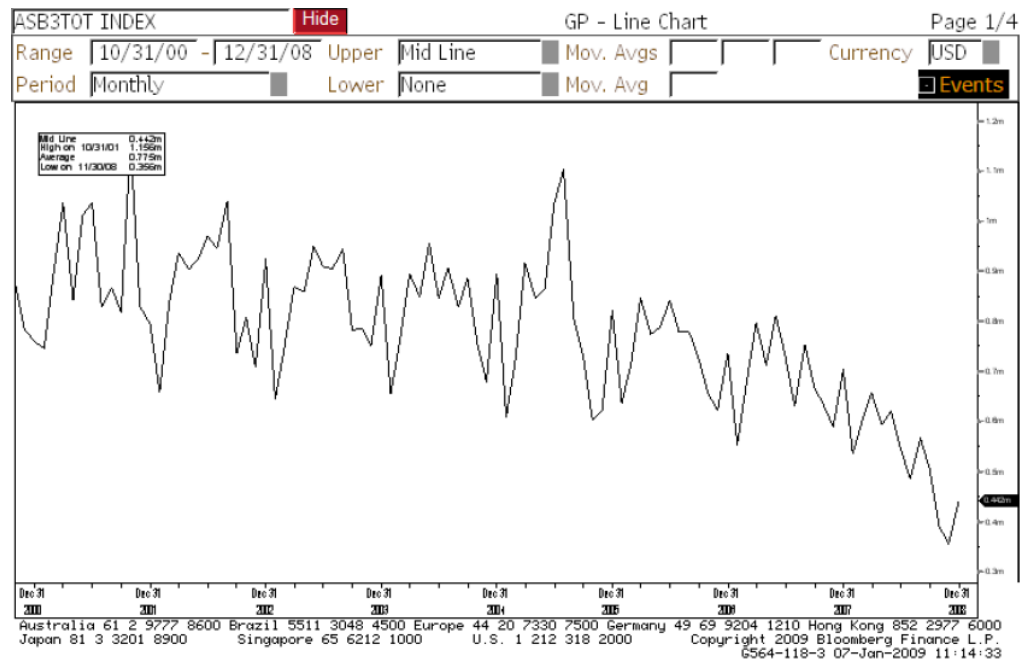
## STATEMENT

Michigan has a high level of unemployment that continues to stress the economic situation. Unemployment has now reached 9.60%, the highest in the nation. Please see the chart below.



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Michigan's unemployment is directly related to the housing and automotive markets. The Big 3 (GM, Ford and Chrysler, LLC) are all suffering significant declines in sales. Please see the following charts.



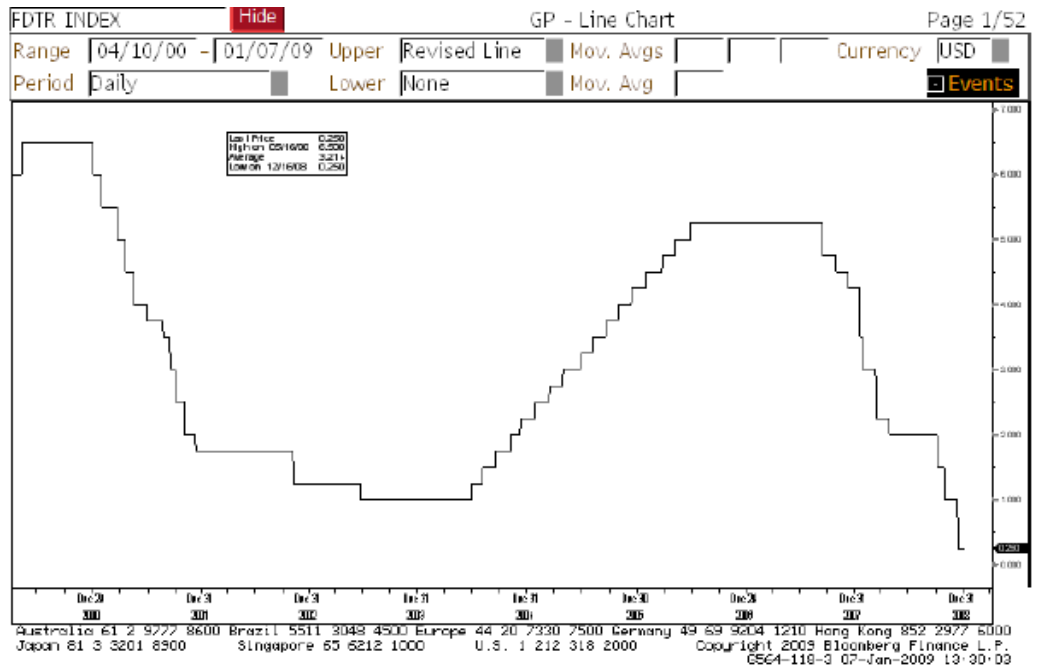
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### Big 3 Auto Statistics 2007 and 2008

		2007	2008	Change #	Change %
US Big 3 Auto Sales	Big 3 Total	8,260,817	6,295,379	(1,965,438)	-23.8%
US Big 3 Auto Sales GM	GM Total	3,794,566	2,933,451	(861,115)	-22.7%
US Big 3 Auto Sales GM	Total Cars	1,461,960	1,239,773	(222,187)	-15.2%
US Big 3 Auto Sales GM	Domestic Cars	1,390,732	1,172,393	(218,339)	-15.7%
US Big 3 Auto Sales GM	Import Cars	71,228	67,380	(3,848)	-5.4%
US Big 3 Auto Sales GM	Total Trucks	2,332,606	1,693,678	(638,928)	-27.4%
US Big 3 Auto Sales GM	Domestic Trucks	2,329,247	1,693,678	(635,569)	-27.3%
US Big 3 Auto Sales GM	with SAAB	3,827,277	2,954,819	(872,458)	-22.8%
US Big 3 Auto Sales Ford	Total Vehicles	2,389,601	1,908,806	(480,795)	-20.1%
US Big 3 Auto Sales Ford					
Cars	Total Cars	756,832	671,965	(84,867)	-11.2%
US Big 3 Auto Sales Ford					
Domestic	Domestic Cars	756,832	671,965	(84,867)	-11.2%
US Big 3 Auto Sales Ford					
Domestic	Domestic Trucks	1,632,769	1,236,841	(395,928)	-24.2%
Big 3 Monthly Auto Sales	with Volvo, Jaguar & LR	2,561,047	2,003,221	(557,826)	-21.8%
US Big 3 Auto Sales Chrysler	Total Vehicles	2,076,650	1,453,122	(623,528)	-30.0%
US Big 3 Auto Sales Chrysler	Total Cars	539,603	406,125	(133,478)	-24.7%
US Big 3 Auto Sales Chrysler	Domestic Cars	539,603	406,125	(133,478)	-24.7%
US Big 3 Auto Sales Chrysler	Total Trucks	1,537,047	1,046,997	(490,050)	-31.9%
US Big 3 Auto Sales Chrysler	Domestic Trucks	1,537,047	1,046,997	(490,050)	-31.9%

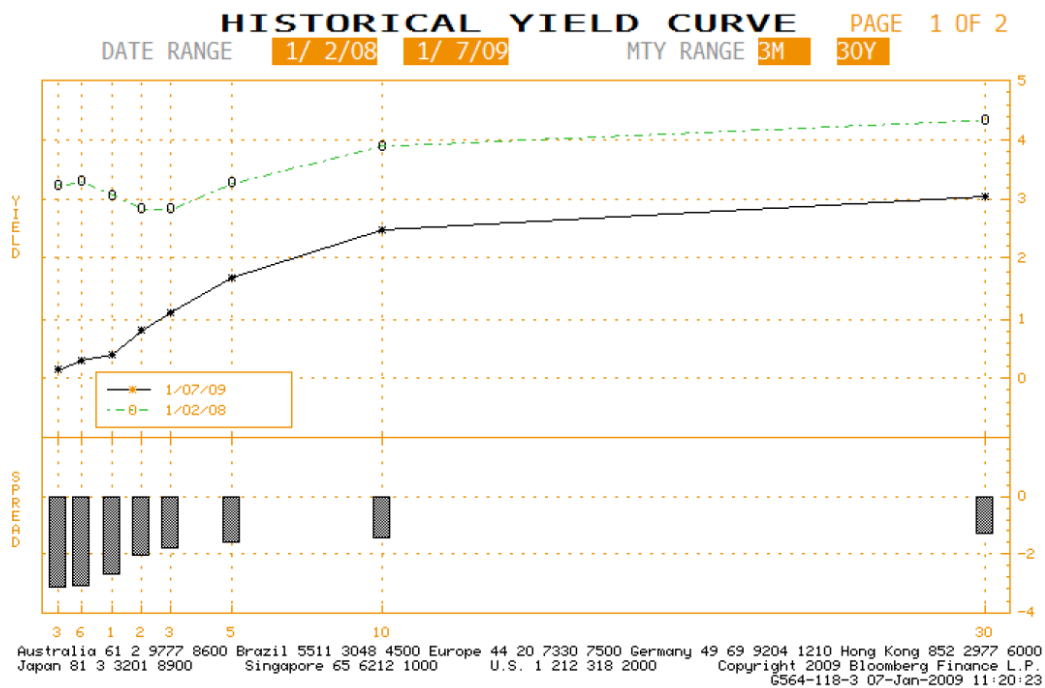
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The Federal Reserve is working hard at helping to fix the economic environment and create a positive sloped yield curve by reducing short term interest rates. In the last few quarters, the Federal Funds rate has been reduced from 5.25% to 0.25%. Please see the chart below.



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The actions of the Federal Reserve have caused the yield curve to revert to a positive sloped yield curve. This is where the Federal Reserve needs the yield curve to stay, so profitability can return to financial institutions. This is obtained by having a wider spread between the cost of funds and the yield on loans. Please see the current yield curve below.



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**HISTORICAL YIELD CURVE** PAGE 2 OF 2

DATE RANGE 1/ 2/08 1/ 7/09 MTY RANGE 3M 30Y

	1/02/08	1/07/09	Change
3 MONTH	3.249	0.112	-3.1373
6 MONTH	3.307	0.284	-3.0225
1 YEAR		0.397	
2 YEAR	2.860	0.803	-2.0567
3 YEAR	2.839	1.092	-1.7469
5 YEAR	3.269	1.674	-1.5954
10 YEAR	3.898	2.482	-1.4153
30 YEAR	4.349	3.046	-1.3030

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## CONCLUSION

We expect the global recession to keep automotive production down, causing further pressure on the automotive companies. Unemployment will rise as layoffs continue. As the unemployed seek employment in other states, there will be further pressure on housing prices as Michigan's population decreases. Unfortunately, this should also add to the foreclosure rates and the pressure on home price reductions.

The Federal Reserve is working hard to fix the U.S. economy with interest rate cuts and the Troubled Asset Relief Program (TARP). We believe these combined efforts of the Fed will help the economic situation going forward, but it will take some time to get traction.

Please see the chart below which illustrates McQueen Financial Advisors' economic outlook for next year.

	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Fed Funds	0.25	0.25	0.25	0.25	0.50
Prime Rate	3.25	3.25	3.25	3.25	3.50
3-month Treasury	0.40	0.45	0.50	0.60	0.70
2-year Treasury	0.80	0.80	0.85	0.85	0.95
5-year Treasury	1.70	1.75	1.75	1.85	2.00
10-year treasury	2.51	2.50	2.55	2.60	3.00
30-Year Mortgage	5.00	4.50	4.75	5.00	5.25
GDP (Annualized)	(1.00)	(3.00)	(3.50)	(1.00)	0.01
CPI (Annualized)	(0.50)	(1.50)	(1.00)	0.50	1.50
MI unemployment	10.25	11.00	11.50	10.00	9.80
Monthly Housing Starts	600	500	550	600	800

## About McQueen Financial Advisors, Inc.

McQueen Financial Advisors, Inc. (MFA) is a leading nationwide provider of financial advisory services that has been serving financial institutions since 1999. An SEC-registered investment advisory firm, MFA works only for financial institutions. We provide our services to institutions throughout the United States, with assets ranging from \$20 million to over \$5 billion.

### Charles N. McQueen, President



Charley McQueen founded McQueen Financial Advisors in 1999, to provide specialized services to financial institutions. Charley has more than 14 years of experience serving as a portfolio manager, asset liability management consultant and strategic consultant to financial institutions. Today, his company advises more than 100 clients and manages investment portfolios with a combined value of nearly \$1 billion. McQueen Financial Advisors serves clients in thirteen states across the United States.

Charley serves on the Associate Advisory Council of the Michigan Association of Community Banks, is a frequent speaker at financial institution conferences and has provided training and board education on investments, Asset/Liability Management, Mortgage Servicing Rights Valuations, branch valuations, asset sales and strategic planning. Along with providing education to financial institutions, Charley provides educational training to several CPA firms. He is a frequent presenter to financial institutions boards, attending well over 1,300 client board meetings.

Charley is a graduate of Western Michigan University, with a BBA in Management and Economics.



### **Craig M. Sicilia, Managing Director**

Craig is McQueen Financial Advisors chief investment officer and head portfolio manager. He is responsible for overseeing the firm's security transactions that average nearly \$700 million a year in purchases and sales. Along with portfolio management and security analysis, Craig consults with clients on risk management, loan sales, servicing valuations on commercial loans and customized consulting projects.

Previously, Craig was Vice President at JPMorgan Securities, Inc. He was a member of a Financial Strategies team in Detroit, Michigan and responsible for managing relationships with banks, credit unions, taft-hartleys, municipalities and schools. The majority of his time was spent assisting clients with asset allocation, investment analysis, portfolio structuring, security sales and interest rate risk decisions. Craig worked for J.P. Morgan (formerly Bank One, First Chicago NBD Corp, NBD Bank) from January 1991 through March 2006.

Craig is a graduate of Oakland University, with a BBA in Management.



### **James G. Craven, Financial Advisor**

Jim is an investment advisor whose responsibilities include interest rate risk management, consulting, portfolio management, fixed income analysis and valuation services. Jim also manages the firm's Mortgage Servicing Rights Valuation division and has completed hundreds of valuations for institutions around the country, including bank valuation for goodwill impairment testing.

Jim has over 20 years of experience in the financial services industry. Prior to joining McQueen Financial Advisors, Jim worked at Fifth Third Securities and JPMorgan Chase (and successor firms). At JPMorgan, he was a member of the Bank Strategies Group. In that capacity, Jim provided analytics and fixed income investments primarily to banks, credit unions, insurance companies and investment advisors. While at JPMorgan, Jim also consulted clients on derivatives and structured financing.

Jim is a 1983 graduate of Eastern Michigan University.



**Heather L. Ciurla, Vice President of Operations & Chief Compliance Officer**

Heather joined McQueen Financial Advisors, Inc. as an Investment Advisor, and is the firm’s Chief Compliance Officer. Heather is responsible for Asset/Liability Management reporting and general consulting services. Heather is also a seasoned portfolio manager assisting in daily trading activities. Heather started in the investment business in 1999, working with JPMorgan Chase & Co. in Delaware as an investment agreement manager for municipalities.

Heather has a bachelor’s degree in Business Administration in Economics from Western Michigan University.



**Diane E. Knudson, Marketing Consultant**

Diane is responsible for managing and directing all of McQueen Financial Advisors, Inc. marketing campaigns and client marketing programs, as well as providing Strategic Consulting services.

Diane began her career in the business-to-business telemarketing industry. As a Marketing Manager, she was responsible for developing, implementing and launching marketing campaigns, developing and evaluating benchmarks and marketing channels, and advising on corporate marketing strategies.

Diane graduated from Christopher Newport University with a B.A. in International Relations and holds a Masters of Arts in Organizational Management from the University of Phoenix.



**Heather N. Schepperly, Office Manager**

Heather joined McQueen Financial Advisors in 2008 after working for the past sixteen years in the customer service industry. Heather is responsible for all areas of office management, as well as assisting with Asset Liability Management and Investment Portfolio Management services.

Heather has a degree in Business Administration from Kalamazoo Valley.

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