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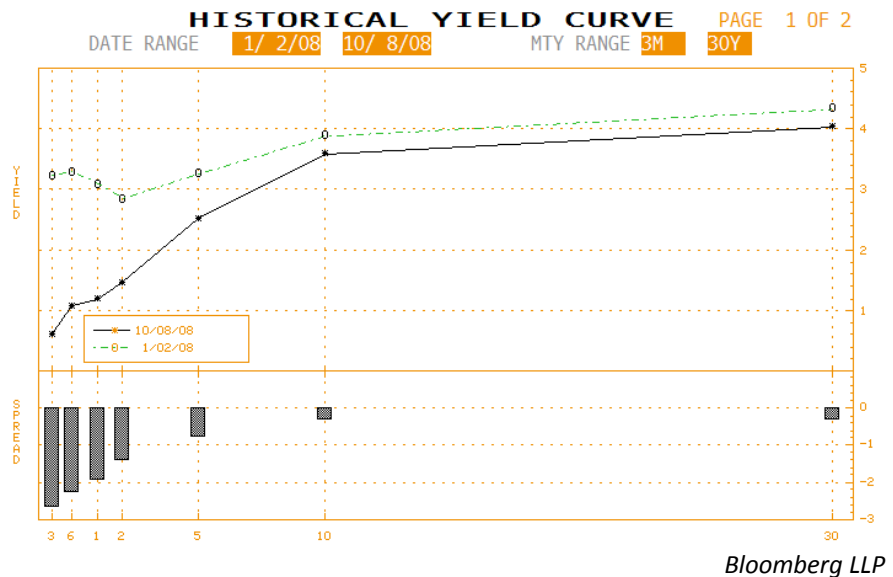
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Michigan's Economic Outlook

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.”

ABSTRACT

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

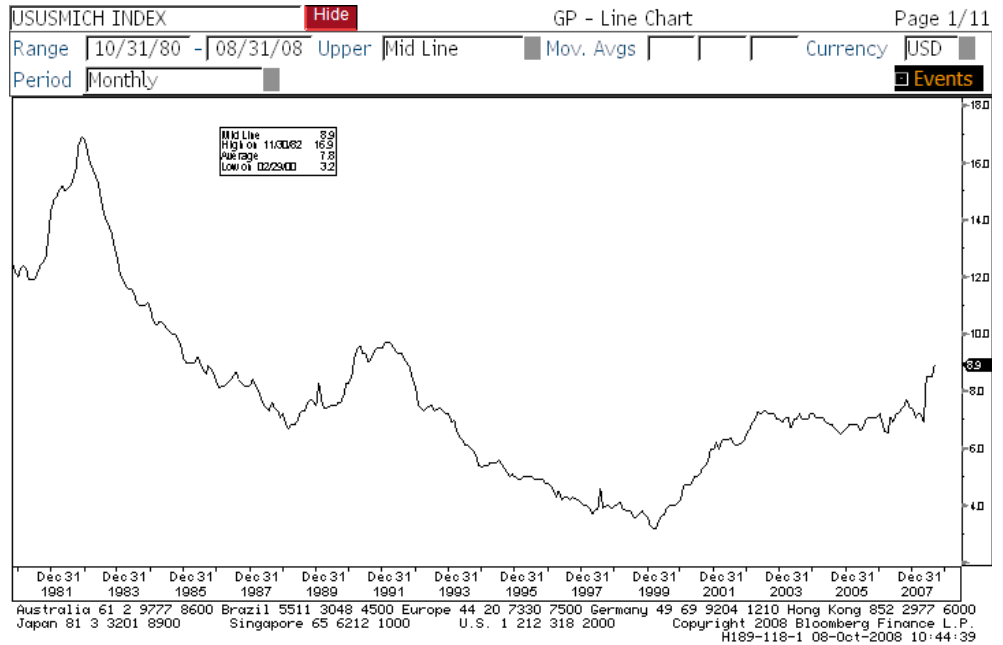
Michigan was ground zero for the housing value readjustment and the resulting economic slump. Unfortunately, the rest of the nation has joined in on the housing slump.

The housing problems have created an economic decline (or should we just call it 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?

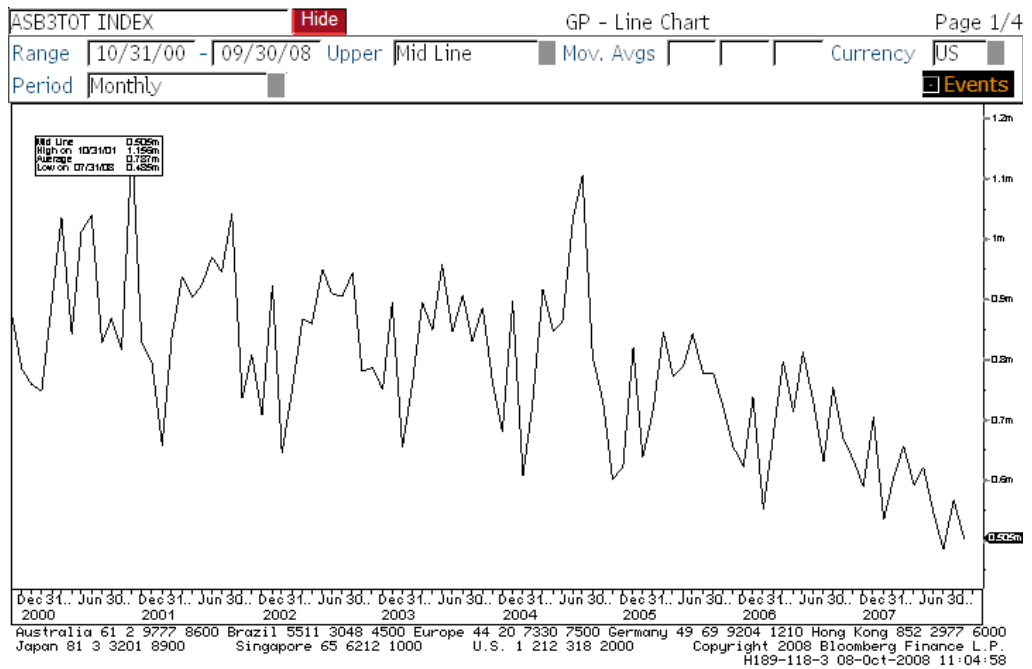
PROBLEM STATEMENT

Michigan has a high level of unemployment that continues to stress the economic situation. Unemployment has now reached 8.90% which is the highest in the nation. Please see the chart below.



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Michigan's unemployment is directly related to the housing market (which we will come back to) and the automotive market. The Big 3 (GM, Ford and Chrysler, LLC) are all suffering significant declines in sales, with a 10.90% reduction in sales in the month of September alone. US auto production is down to 500,000 units. Please see the following charts.



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BIG 3 AUTO STATISTICS

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SECURITY	TICKER	CURRENT	DATE	PREVIOUS	DATE	PCT CHNG	FREQ
Big 3							
2)Big 3 Total	ASB3TOT	504746	09/30/08	566520	08/31/08	-10.90	Monthly
General Motors							
4)GM Total	ASB3GMT	281041	09/30/08	305782	08/31/08	-8.09	Monthly
5)Total Cars	ASB3GMC	116983	09/30/08	123143	08/31/08	-5.00	Monthly
6)Domestic Cars	ASB3GMD	111727	09/30/08	116232	08/31/08	-3.88	Monthly
7)Import Cars	ASB3GMIC	5256	09/30/08	6911	08/31/08	-23.95	Monthly
8)Total Trucks	ASB3GTT	164058	09/30/08	182639	08/31/08	-10.17	Monthly
9)Domestic Trucks	ASB3GMDT	164058	09/30/08	182639	08/31/08	-10.17	Monthly
10)Import Trucks	ASB3GMIT	0	01/31/08	0	12/31/07	.00	Monthly
11)with SAAB	ASB3GMSB	282806	09/30/08	307285	08/31/08	-7.97	Monthly
Ford							
14)Total Vehicles	ASB3FT	116356	09/30/08	150503	08/31/08	-22.69	Monthly
15)Total Cars	ASB3FTC	40453	09/30/08	52677	08/31/08	-23.21	Monthly
16)Domestic Cars	ASB3FDC	40453	09/30/08	52677	08/31/08	-23.21	Monthly
17)Import Cars	ASB3FIC	0	01/31/08	0	12/31/07	.00	Monthly
18)Domestic Trucks	ASB3FDT	75903	09/30/08	97826	08/31/08	-22.41	Monthly
19)with Volvo Jag	ASB3FDVV	120410.0	09/30/08	155172.0	08/31/08	-22.40	Monthly

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
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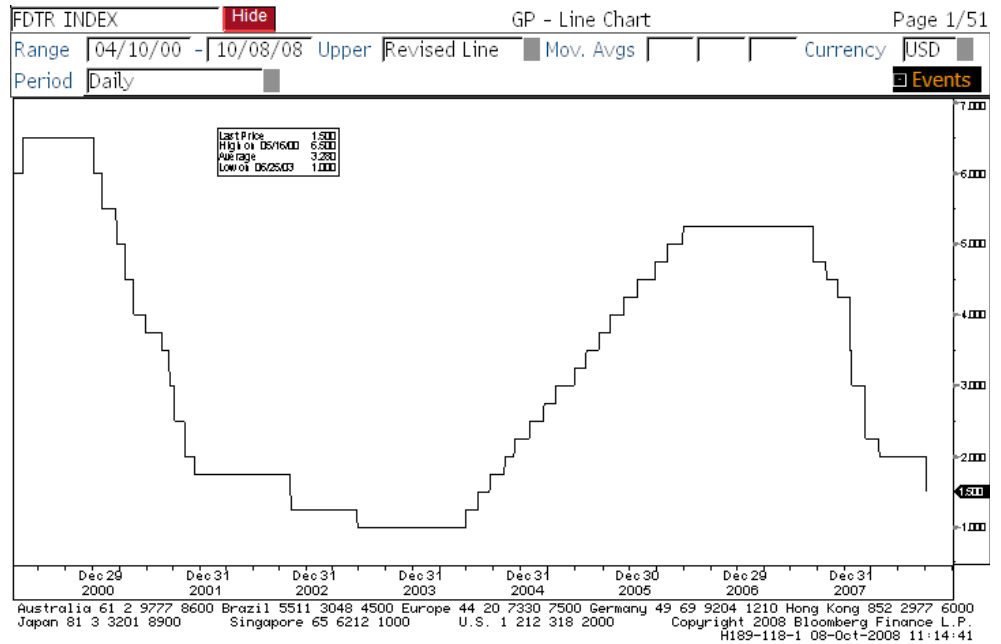
BIG 3 AUTO STATISTICS

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SECURITY	TICKER	CURRENT	DATE	PREVIOUS	DATE	PCT CHNG	FREQ
Chrysler							
2)Total Vehicles	ASB3CT	107349	09/30/08	110235	08/31/08	-2.62	Monthly
3)Total Cars	ASB3CTC	31099	09/30/08	26016	08/31/08	19.54	Monthly
4)Domestic Cars	ASB3CDC	31099	09/30/08	26016	08/31/08	19.54	Monthly
5)Import Cars	ASB3CIC	0	01/31/08	0	12/31/07	.00	Monthly
6)Total Trucks	ASB3CTT	76250	09/30/08	84219	08/31/08	-9.46	Monthly
7)Domestic Trucks	ASB3CDT	76250	09/30/08	84219	08/31/08	-9.46	Monthly
8)Import Trucks	ASB3CIT	0	01/31/08	0	12/31/07	.00	Monthly
9)with Mercedes	ASB3CRM	168136	10/31/07	182258	09/30/07	-7.75	Monthly

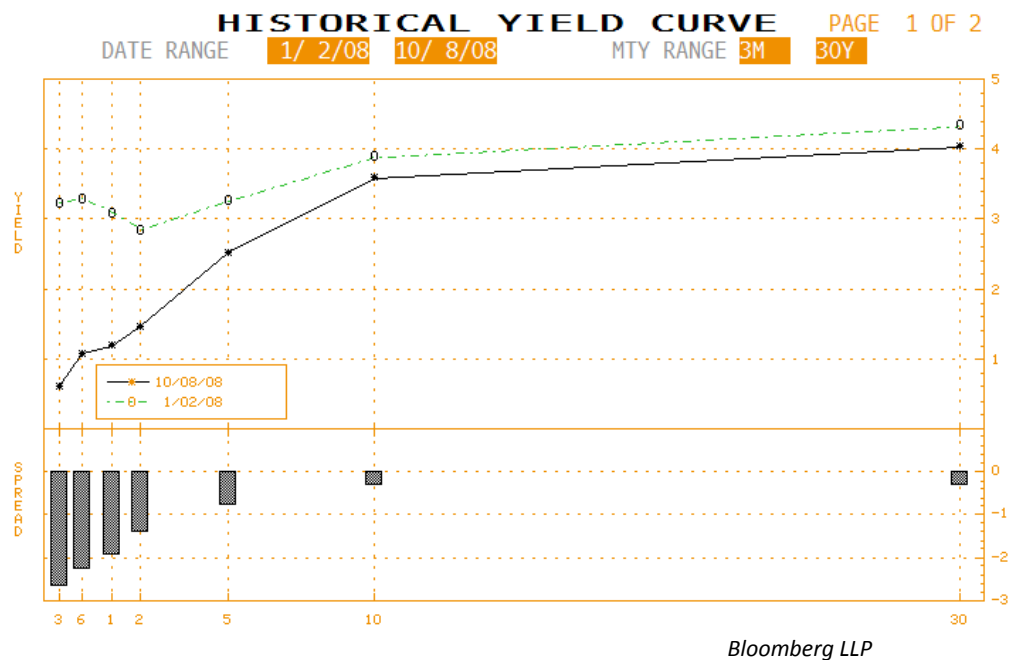
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The Federal Reserve is working hard at helping to fix the economic environment and create a positive sloped yield curve by reducing short term interest rates. In the last few quarters, the Federal Funds rate has been reduced from 5.25% to 1.50%.



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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.



HISTORICAL YIELD CURVE

DATE RANGE 1/ 2/08 10/ 8/08 MTY RANGE 3M

	<u>1/02/08</u>	<u>10/08/08</u>	<u>Change</u>
3 MONTH	3.249	0.609	-2.6396
6 MONTH	3.307	1.070	-2.2366
1 YEAR		1.186	
2 YEAR	2.860	1.476	-1.3835
5 YEAR	3.269	2.517	-0.7529
10 YEAR	3.898	3.584	-0.3134
30 YEAR	4.349	4.043	-0.3059

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“The combined efforts of the Federal Reserve will help the economic situation, but it will take time.”

CONCLUSION

We expect the global recession to continue keeping 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 price reductions on homes.

The Federal Reserve is working hard to fix the US economy with interest rate cuts and the Troubled Asset Relief Program (TARP). We believe that 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 the next year.

McQueen Financial Economic Outlook					
	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09
Federal funds rate	1.75	1.50	1.50	1.50	1.50
Prime rate	4.75	4.50	4.50	4.50	4.50
3 month treasury	0.65	0.70	0.95	1.25	1.50
2 year treasury	1.40	1.30	1.45	1.75	2.00
Five year treasury	2.70	2.50	2.75	3.00	3.25
Ten year treasury	3.60	3.40	3.40	3.50	4.00
Conventional 30 yr mortgage	5.50	5.50	5.25	5.50	5.75
GDP	2.40	2.20	1.95	2.00	2.20
CPI	2.00	1.75	1.85	2.00	2.50
Unemployment rate	9.00	10.00	10.00	9.00	8.50
Monthly housing starts	750	600	650	700	750

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 founded McQueen Financial Advisors in 1999, to provide specialized financial advisory and portfolio services. Charley has more than 15 years of experience service as a portfolio manager, asset liability management consultant and strategic consultant. 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 and strategic planning.



Craig Silicia, Vice President

Craig is McQueen Financial Advisors Chief Investment Officer and head portfolio manager. He is responsible for overseeing the firm's security transactions which average over \$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. Craig oversees the McQueen Financial Advisors loan sales team, where he has helped sell all types of loans for clients.





James G. Craven, Financial Advisor

Jim is responsible for overseeing the firm's Mortgage Servicing Rights Valuation department. He also provides financial analysis and is a chief member of our investment portfolio management team. Prior to joining McQueen Financial Advisors, Jim worked at JPMorgan, where he was a member of the Bank Strategies Group. In that capacity, he provided analytics and fixed income investments primarily to banks, credit unions, insurance companies and investment advisors. While at JPMorgan, he also consulted clients on derivatives and structured financing.



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.



Heather L. Ciurla, V.P. 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 Strategic Consulting services. Heather is also a seasoned portfolio manager assisting in daily trading activities.

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, Investment Portfolio Management and Mortgage Servicing Rights Valuation services.

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