

January 23, 2009

To MCA Clients and Friends:

We are pleased to bring you our report for the fourth quarter of 2008.

There is a certain amount of relief associated with the simple fact that 2008 is over, and we have entered a new year. Certainly, the investment landscape remains unclear in the short term, but there is a general sentiment that better days are near. It is comforting that during these worst of times we have just inaugurated a man who enjoys the highest ratings of any incoming president in the history of the United States. We believe that President Obama will not only make it clear that we have a president who is in charge, but also one who will validate the American people's budding sense of confidence that we will come out of this economic malaise stronger and better than where we were when the downturn began.

Fear is a powerful force, and it is especially powerful in the way that it can impact investment decisions. We can look back to the late 1970s to another period where fear had an enormous impact on the investment landscape. As many of you may recall, this was the period where Paul Volcker was called upon to clean up Jimmy Carter's inflationary mess. In an effort to combat this unprecedented inflation, the Fed began tightening the screws on monetary policy, driving interest rates to highs that had previously never been imagined. With the Federal Funds rate hitting a high of 20% (December 1980 and throughout 1981), the Prime Rate hitting a high of 20.5% (April, 1980) and the 30-year U.S. Treasury bond hitting a yield high of 13.45% (1981), investors were convinced that it was only the beginning and interest rates would continue to spiral upwards for who knows how long, choking off economic growth and driving equity prices lower and lower. Fear was rampant – the same kind of fear that has gripped our markets this time around. We all look back now and think how absurd it was to imagine interest rates remaining at these levels for any extended period of time. In retrospect, it is obvious that what had developed was a window of investment opportunity that comes along perhaps every 20 years or so. But, at the time, broad-based fear obscured the reality of this investment opportunity.

We believe it is a similar fear that is gripping the markets today. The 2008-2009 recession is one that has been fueled not by inflation, but rather by de-leveraging (we like the term de-leveraging better than deflation since we are not convinced that the United States will enter a sustained deflationary cycle). Periods of de-leveraging almost always have short-term adverse economic consequences, since capital being used to de-leverage is capital that is not being used for consumption or investment, which are the lifeblood of our economic stability and growth. But, this

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period of de-leveraging, too, will have a short-term life span, likely to end by mid-2009 and when it does, the pent up demand on the part of the consumer will likely lead to a relatively rapid and buoyant recovery in the U.S. economy.

Pundits have a variety of theories as to why the current economic climate worsened so quickly and so dramatically. Among them are the ease of credit that had been building over many years, over-leveraging of consumer balance sheets, inflated housing prices, Wall Street greed, the creation of “toxic” derivative assets, and so on. It is likely that all of these factors contributed in some way to the severe recession our country currently is enduring.

But, the good news is that, as the dust settles and we have a better understanding of exactly what our problems are, fiscal and monetary authorities are well armed to deal with them. Both the Federal Reserve and Treasury Department are becoming increasingly creative in devising policies to combat the current economic downturn, including buying mortgage securities in the open market, guaranteeing the debt of FNMA and FHLMC and providing relief to homeowners who are in jeopardy of foreclosure. The Fed is even considering issuing its own debt for the first time. Clearly, the stops are all being pulled out to make absolutely certain that we get our economy growing again.

We also believe that it is fortuitous that we have a president who has so energized the citizens of our country and even the citizens of the world at this difficult time. A man of remarkable intellect, Barack Obama has surrounded himself with some of the most brilliant minds to serve in his cabinet and to act as his advisors. Already, our new president has shown a desire to reach out to those who may not entirely agree with his democratic philosophy, to create a bipartisan solution to the problems of our country, a strategy that worked exceptionally well for Abraham Lincoln. It is our belief that his efforts will bear fruit, and that we will begin to see a restoration of confidence in our society now that Obama’s inauguration is complete. We are not suggesting that home foreclosures will immediately end, or unemployment will immediately decline, but we do believe that January will mark the beginning of the restoration of confidence so necessary for our economy to begin growing again. And, the statistical data that measures the health of our economy should begin to improve in the second or third quarter of 2009.

We prefer not to make market or interest rate forecasts in the short term. But, we do believe that as world economies begin to install policies to foster future economic growth, that there will be a relatively immediate reaction within the equity markets. Furthermore, the interest rate spreads between Treasury-related fixed income instruments and high-grade corporate bonds will continue to narrow, as investors become less risk averse and begin to seek higher yields than what are offered today in essentially non-risk US Treasury bonds and notes. This narrowing of spreads is always a sign of a healing market and is part of the foundation that must be laid to assure a healthy economy in the future.

In closing, we further believe that as unnerving as these periods of severe economic disruption tend to be, they still represent periods of investment opportunity that come along very rarely. For those who have the advantage of being able to contribute to a tax deferred retirement plan, such as a 401(k) or 403(b), investments made at these market levels are likely to provide

substantial investment returns over time. Human beings, rightly or wrongly, tend to follow the herd. We are urging our clients to take a step back from the herd and recognize the investment climate for what it truly is – a rare opportunity to invest at market levels that may not come again for a very long time. Remember also that at the end of the day, you are not making just an investment bet – you are making a bet on the future of capitalism and the United States of America. We frankly like both these bets!!!

As we also periodically do, we are sending along with this letter a copy of our current Privacy Statement, which describes the steps we take to safeguard your personal information. If you have any questions about this please be sure and let us know.

The new year is also good time for us to remind you how important it is for you to let us know if there is anything concerning your personal financial situation that we should know in order to make sure we are managing your account as effectively as possible and in a manner that is appropriate for you. It might be a change in circumstances, investment objectives, time horizon, risk tolerance or any other factor that that might impact your investment plan. If you are unsure or have any questions about this, err on the side of caution and let us know.

We thank you for your confidence in Midwest Capital Advisors, and, as always, we welcome your thoughts and questions. Best wishes for a happy and prosperous 2009 and beyond.

Sincerely,

George P. Wanty, III

Henry G. Swain