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A WORD FROM TOM SMITH CEO, SMITH HAYES

As all of you know, market forces beyond our control are causing some rather dramatic changes in the financial services industry. We've all felt the effects of the economic slowdown, many of which have been negative. However, it is necessary during trying times to be introspective and analyze both what we do well and also how we can improve our business to better serve the changing needs of our clients. Our recent review revealed a number of things, replete with successes and challenges alike. But all told, we are quite pleased with the performance of the following elements of our business and felt inclined to share them with you:

People – our people are the difference makers. Day-in, day-out, hands down. We are so fortunate to be surrounded by a top-notch group of partners who are committed to their clients and to each other. They strive each day to continuously improve our service level and expertise. By comparison, we believe our people can't be beat. That is why we've been so careful to manage through this tough economic time, fortunately with our staff in tact and working diligently each day to serve clients' needs.

Community – The communities in which we live and work are filled with many hard working and honest people who still take the time to look out for one another. As you will read in this newsletter, our efforts to engage our local communities through volunteer efforts have been rewarding – we've met great people who are doing great work in Nebraska and beyond. It makes me proud to be a part of it!

Clients – We are truly honored to serve great clients. We will continue to work tirelessly to retain and grow your business and trust. Every one of our employees at SMITH HAYES knows that having your trust means you deserve our very best. Again, we are pleased to have the opportunity to prove our work product is up to the highest standard.

Local Ownership & Independence – Figuratively speaking, Wall Street is reshuffling its deck chairs: brokerages are being sold off and merged, some companies are failing, and many financial advisors are moving. We believe our sound business model is of high benefit to our clients because each advisor is encouraged to offer independent, unbiased financial advice. We do not force our advisors to sell certain ideas or products, nor do we have a New York home office eliciting edicts that may not have clients' best interests in mind.

Recruiting – Our recruiting effort has been concise, comprehensive and on target with many financial advisors who have been turned upside down by their Wall Street firms, and are talking to us in a very serious manner. I expect in the coming months we will pick some additional people who are like our best and are tired of the Wall Street shenanigans they have been dealt. Thanks to everyone for the effort you are making to bring in more like our best. It is truly working.

If we listen and respond to our clients and communities, provide high quality, unbiased advice, and work hard to remain independent of the turmoil on Wall Street, I am confident we will grow stronger than ever – and we have our people and our clients to thank for that!



SMITH HAYES Products and Services:

- Government Securities
- Municipal Bonds
- Corporate Bonds
- Insured Broker CD's
- Money market
- Mutual Funds
- Corporate Finance
- IRAs & Retirement Planning
- Company Retirement & Pension Plans
- Life Insurance
- Annuities
- Alternative Investments
- Private Equity Investments
- Unit Investment Trusts (UIT)
- Managed Asset Programs
- College Planning
- Municipal Bond Underwriting
- Estate Planning
- Foundation & Endowment Asset Management



“FEAR AND GREED”

BRIAN ZAHM, OMAHA OFFICE

Fear and Greed. These two polar opposites of investor emotion have certainly been at work over the last few years.

As with many of our financial advisors, I've been actively recruited by numerous Wall Street firms over the past several years. Armed with “recruiting bonus checks”, these firms offer financial advisors compelling compensation packages to switch firms, and in turn, the advisors tell their clients about all of the advantages a big Wall Street firm has versus a smaller firm.

Time and time again I have refused the lure of Wall Street's “big money” to remain with SMITH HAYES. I believe the SMITH HAYES culture to be first and foremost client driven. I take great pride working for a Nebraska-based investment firm that places client interests first. We are an employee owned brokerage firm with over 80 employees spread between Omaha, Lincoln and Columbus. We have Midwestern values, a Midwestern work ethic and believe in honesty and integrity. We, like you, have certainly been negatively affected by the drop in the stock market. However, we are pleased to report that we avoided many of the mistakes that our larger competitors have made in spades. As a result, we can list a number of facts to be happy about:

We were not involved with repackaging and underwriting bad mortgages

We were not involved in risky “swap contracts” or “swap insurance”

We have not needed and do not need government bailout money

Our 2008 Net Income was positive

We collectively manage over 1.6 Billion dollars in assets

We are careful about what investments we offer to clients

We are attracting some very high caliber advisors from other firms who appreciate the way we do business

Many of you have friends, family, colleagues and neighbors that have their investment accounts with some of the major Wall Street firms in turmoil. They may be uneasy with their current arrangement. Please do us and them a favor by telling them the SMITH HAYES story. We are not looking for a list of names and numbers, but would really appreciate a personal introduction. An introduction over coffee, lunch or dinner would be ideal!

We thank you for your support during this difficult environment. We are grateful and fortunate to have such a great group of clients. We will continue to work hard on your behalf and look forward to continuing our investment journey together.

WHAT'S HAPPENING AT SMITH HAYES?

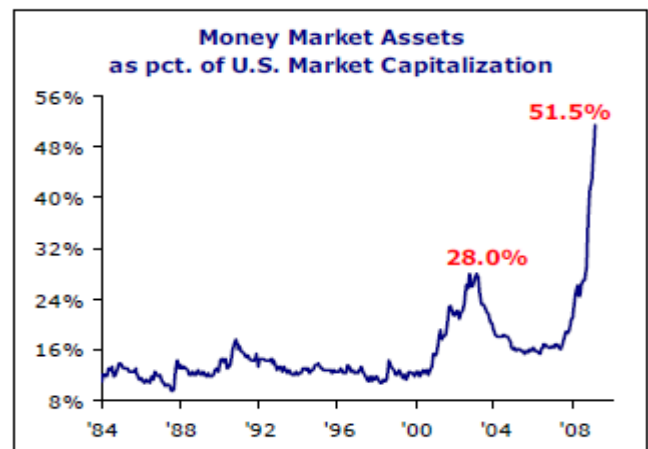
Dan Semrad and Jeff Semrad have joined the firm as investment consultants in the Lincoln office. They are joined by their assistant, **Julie Kloke**. Welcome Dan, Jeff, and Julie!

Congratulations to **Brad Knuth** for being named SMITH HAYES' Broker of the Year!

SIGNS OF SPRINGTIME...

CLINT RUSHING, CFA

- Spring is a season that most people look forward to for a variety of reasons. Following a long cold winter, Spring brings about a sense of renewal and optimism for most people, as plants and animals begin to grow once again, and we have the opportunity to resume our favorite outdoor activities.
- In a similar fashion, the U.S. equity market navigated through a challenging period of time this past winter, as uncertainty regarding government actions to assist the financial markets, and continued worries regarding the housing and labor markets dampened investor confidence for the first several months of the first quarter of 2009. However, as the month of March began, confidence and guarded optimism seemingly crept back into the U.S. equity market to a certain extent, much as springtime brings with it a renewed sense of optimism. While the U.S. economy certainly has many serious issues to overcome during the coming quarters, recently, there have been several promising signs of a potential economic recovery that are worth highlighting.
- To a large extent, the U.S. housing market has served as 'ground zero' for the source of much of the current problems being faced by our nation's financial system, so an improvement in regard to residential housing conditions is certainly something worth monitoring. To this end, during the final full week of March, several reports were released that provided investors with a bit of hope that the housing market may be showing signs of stabilization. For example, The National Association of Realtors reported on March 23, 2009, that existing home sales increased by a better than expected 5.1% during the month of February. In addition, first time home buyers are certainly benefiting from a combination of factors within the housing market, including lower home prices, extremely attractive interest rates, and an \$8,000 tax credit recently enacted by the government. During the coming months, it will be important to monitor for additional evidence that consumers are taking advantage of the attractive conditions within the housing market to determine if the residential housing market has indeed stabilized.
- In addition to several positive housing market reports recently released, it is also important to highlight the latest Durable Goods Orders report, which was released by the Commerce Department on Wednesday, March 25, 2009. The report indicated that orders for durable goods increased by 3.4% during the month of February. The Wall Street Journal noted that the most recent reading was the best monthly performance since December of 2007. While orders for durable goods can be 'lumpy' in nature, the latest report is worth highlighting given the challenging manufacturing environment faced by most U.S. industrial firms during the winter months.
- Finally, the amount of money sitting on the sidelines continues to be extremely notable, as highlighted by the chart to the right, which measures money market assets as a percent of U.S. market capitalization. Recently, this measure stood at 51.5%. When the economy shows sustainable signs of recovery, equity valuations could improve notably from current levels as idle cash is allocated back towards equity investments.



Source: Strategas Research Partners

Clinton Rushing, CFA

Past performance is not an indication of future performance.



ADVICE FROM MR. WARREN BUFFETT
MICHAEL JOHNSON, LINCOLN OFFICE

On February 28, 2009, Berkshire Hathaway, Inc. issued its 2008 annual report (see www.berkshirehathaway.com for a link to the annual report and letter to shareholders). This report is a widely anticipated report for many reasons, but one of the main reasons is for the commentary in the "Chairman's Letter" written by Warren Buffett. As most of you are aware, Mr. Buffett is probably the most well known and respected investor of the last 50 years. As I read this year's letter it seemed as if his advice was applying directly to many investors (and advisers at times) that are nervous and confused about the current market environment. This correspondence is an attempt to take Mr. Buffett's advice and illustrate how we believe it applies to our clients.

In the first several paragraphs of the letter, Mr. Buffett discusses the housing decline, subsequent freezing of the credit markets and eventual negative feedback loop of fear to business contraction to more fear. Further, he discusses the massive government action that the Fed and the Treasury have taken and the likely unwelcome after effects of such action, namely inflation. The next four paragraphs are so instructive in our opinion we include them verbatim below:

"Whatever the downsides may be, strong and immediate action by the government was essential last year if the financial system was to avoid a total breakdown. Had that occurred, the consequences for every area of our economy would have been cataclysmic. Like it or not, the inhabitants of Wall Street, Main Street and the various Side Streets of America were all in the same boat.

Amid this bad news, however, never forget that our country has faced far worse travails in the past. In the 20th Century alone, we dealt with two great wars (one of which we initially appeared to be losing); a dozen or so panics and recessions; virulent inflation that led to a 21.5% prime rate in 1980; and the Great Depression of the 1930's, when unemployment ranged between 15% and 25% for many years. America has had no shortage of challenges.

*Without fail, however, we've overcome them. In the face of those obstacles - and many others - the real standard of living for Americans improved nearly seven-fold during the 1900s, which the Dow Jones Industrials rose from 66 to 11,497. Compare the record of the period with the dozens of centuries during which humans secured only tiny gains, if any, in how they lived. Though the path has not been smooth, our economic system has worked extraordinarily well over time. It has unleashed human potential as no other system has, and it will continue to do so. **America's best days lie ahead.***

Take a look again at the 44 year table on page 2 [of the letter in the link to the annual report]. In 75% of those years, the S&P stocks recorded a gain. I would guess that a roughly similar percentage of years will be positive in the next 44. But neither Charlie Munger, my partner in running Berkshire, nor I can predict the winning and losing years in advance. (In our usual opinionated view, we don't think anyone else can either.) We're certain, for example that the economy will be in shambles throughout 2009 - and, for that matter, probably well beyond - but that conclusion does not tell us whether the stock market will rise or fall."

Mr. Buffett then goes on to state that "in good years and bad, Charlie and I simply focus on our...goals."

In our opinion, the takeaways from Mr. Buffett's letter are as follows:

1. We will get through this historic economic event, just as we have in the past;
2. Nobody can accurately "time" the market so attempting to do so is futile;
3. The economy's struggles do not define the direction of the stock market, since often they move in different directions;
4. We must continue focusing on our goals and avoiding the short term noise of the media.

1. *Past performance is not indicative of future performance.*
2. *Diversification does not ensure against loss*

**February and March
ACTION TEAM
Participants**

- Jeanne Brown
- Rose Davis
- Rhonda Kilday
- Teresa O’Grady
- Clint Rushing
- Kathy Dewhurst
- Tom Smith
- John Decker
- Matt Kleager
- Nancy Goldsby
- Brenda Merritt
- Stephanie Tredway
- Adam Hayes
- Todd Peterson
- Bev Swanson
- Michael Johnson
- Lisa Smith
- Denise Deter
- John Dwyer
- Al Moore
- Brian Zahm
- Brian Finn
- Jenn Solis
- Sandy Sliva

SMITH HAYES “ACTION TEAM”

Several months ago, SMITH HAYES formed an “Action Team”. The goal of the action team is to become more involved in our communities through activities such as disease awareness walks, food drives, and any other causes that are important to our clients and our employees.

On February 20, several employees from the Omaha office participated in the Heartland Walk for Warmth. The purpose of the walk was to remind us how cold it is for the homeless and for people who can not afford to heat their homes. A big thank you to SMITH HAYES employees who contributed money to the walkers.



In March, employees from the Lincoln and Omaha offices participated in the Junior Achievement Bowl-a-Thon and a Rock-A-Bowl for Heartland Big Brothers and Big Sisters. SMITH HAYES will be raising money for the Heart Walk on May 16th in Omaha.

If you’d like SMITH HAYES to consider donating time to your favorite charity, we’d love to hear from you! Please contact Jennifer at 402-476-3000.

“THE MUNICIPAL MARKET: PAST AND PRESENT”
BLAINE SPADY, VP OF PUBLIC FINANCE
LINCOLN OFFICE



Market volatility is at elevated levels during this economic cycle and this creates investment opportunities if you look in the right places. Right now one of those places is the municipal bond sector. Traditionally municipal bond investors look at the yields offered in the municipal bond market versus the treasury market. In historical terms investors expect the returns on high credit quality municipal bonds to be in the range of 70% to 90 % of the returns available in the treasury market. For the traditional municipal bond buyer yields in this range are competitive on an after tax basis. Table #1 shows the Aaa municipal bond yields as a percentage of the like term treasury yields for the market on 6/28/2007 and 3/26/2009.

Maturity	6/28/2007	3/26/2009
2 Year	76.80%	176.50%
5 Year	78.00%	131.40%
10 Year	80.40%	126.50%
30 Year	90.80%	145.50%

Table #1: Aaa Municipal Yields Vs. On The Run Treasury Yields
(Source: Delphis Hanover Corp)

From this data it can be seen that before the market dislocations started in the fall of 2007, municipal bond yields were in what would be considered their proper historical range. Yields on municipal bonds are currently at historically high levels when compared to the treasury market. Municipal bonds are beating the treasuries on a pre tax basis! How long this imbalance will last is not predictable. However, most market participants believe that over time the municipal market will right itself and return to more normal returns versus the treasury market.

Please Note: As interest rates rise, bond prices will fall

SMITH HAYES SPOTLIGHT: THE TRADING DESK

Financial consultants at SMITH HAYES Financial Services have access to a wide variety of financial products and services that are designed to help our client base attain their financial goals. A key component of this is the fact that our firm's investment consultants are assisted by our internal trading desk in regard to a wide variety of fixed income products. Currently, the firm's trading desk is staffed by three individuals, including:

Doug Ewald

Doug has been in the financial services industry for fifteen years.

Prior to joining Smith Hayes, Doug was employed at Legent Clearing as a manager of Settlements, Stock Loan, Stock Record and Stock Receipts (Dec 05 - Dec 07). Prior to Legent Clearing, Doug was employed at Fixed Income Securities 'AAM' Monument, Colorado as Vice President of Investment Products (Sep 01 - Dec 05). Prior to FIS he was employed at USAA Investment Management Company San Antonio, Texas working on the agency trading desk.

Doug has passed the Series 7,24,53,55,63,66 securities exams.

Sean Coffey

Sean has been in the financial services industry for twelve years, including ten years of experience on trading desks. Prior to joining SMITH HAYES, Sean was employed at Ladenburg Thalmann and Legent Clearing as an Agency Trader (Equities & Options) and RBC Dain Rauscher as an OTC Block Trader. Sean has passed the Series 7, 24, 53, 55, 63 securities exams.

Mark Mueller

Mark has been employed in the financial services industry for more than ten years. His first five years in the industry were spent on the clearing side (with TD Ameritrade, KP Clearing, and Legent Clearing), and the most recent five year period has been spent on the Brokerage side (with SMITH HAYES). Mark originally specialized in Mutual Funds and Annuities upon entering the financial services industry, but over the years, he has migrated around many different areas within Trading and Operations.

Mark has passed the Series 7 securities exam.

The trading desk has extensive relationships (Retail and Institutional) with various market centers to facilitate your execution needs. We have in depth market coverage with over 70 plus liquidity resources, and we offer a wide variety of products to our brokers which can be custom fit to your needs, including:

- Government Bonds
- Municipal Bonds
- Corporate Bonds
- CD's (primary/secondary)
- Mutual Funds
- Unit Investment Trust
- Equities

- *Investments when redeemed may be worth more or less than originally invested.*
- *Not all investments are suitable for all investors.*
- *As interest rates rise, bond prices will fall.*

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Please send any comments or inquiries regarding this newsletter to Jennifer in the Lincoln office.

If you prefer not to receive this newsletter, please call or e-mail Lane White at lwhite@smithhayes.com