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SMITH HAYES

Financial Services Corporation
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- Foundation & Endowment Asset Management

A WORD FROM THE PRESIDENT

AL MOORE, PRESIDENT

What about the American Dream?

Americans have always had their dreams – even through the toughest economic times. And these are those tough times. It is apparent we have been in a worldwide recession for a full eighteen months.

Historically the financial markets begin their recovery well in advance of the media reporting that things are improving and signs are pointing to an end of that recession. The financial markets have changed and it will be awhile before normalcy returns to the markets. Investors need to set aside their reluctance to hold on to their own “American Dream.”

That dream was based on the fact that economies around the world would continue to grow and prosper and that technology and knowledge would help those economies achieve that growth. Ownership in the companies that participate in that growth have historically been a successful method in achieving your investment goals. There has been a shift in the confidence level by investors throughout the world and a “glass half empty” mindset has become pervasive.

What hasn't changed is the need and desire of the investor to achieve the financial dreams they have for themselves. Those include retirement, college education, a second home, and a lifestyle that they have attained and want to continue.

SMITH HAYES recognizes the financial pain that we all have experienced and it is our job to help instill confidence and faith in the Financial Services business. This continues to be a difficult and nervous time and the debate rages on as to how long it will last. We do believe that with patience and common sense we can again set our sights on the dreams we set for ourselves. My associates at SMITH HAYES and myself have made a commitment to step up our service model and will do every thing we can to help you achieve your “America Dream.”

WHAT'S NEW AT SMITH HAYES?

- **Congratulations to our 2nd Quarter Recognition Award winners:** Colleen Davis (Omaha), John Decker (Lincoln), Brenda Merritt (Lincoln), Clint Rushing (Omaha), Mark Mueller (Omaha), Gary King (Omaha), and Jennifer Dierking (Lincoln). Congratulations to these outstanding employees and thank you for your hard work!
- Several volunteers from the Omaha office weeded, planted, and mulched the grounds at Child's Savings Institute in June. A big thank you to Jenn Solis, Rhonda Kilday, Eric Hines, Jake McKee, Maria Sinley and Kathy Dewhurst for donating their time!



UPCOMING EVENTS: Come visit our booth at the “Big O Show” in Omaha on Wednesday, October 14 at the Qwest Center from 8:30-5:30.

Several SH Employees are planning on participating in the Corporate Cycle Challenge taking place August 14, 2009. The Challenge is Nebraska's largest one-day cycling event and should be a great time for those involved!

SMITH HAYES is also taking part in the 2009 Juvenile Diabetes “Walk to Cure Diabetes” on August 1st. A big thank you to those who are supporting this wonderful cause!

SMITH HAYES has pledged \$25,000 to the Special Olympics that are coming to Lincoln in 2010, and dozens of employees will be donating their time to assist athletes and their families. We are all very excited about this great event that's coming to our community.

SOCIALLY RESPONSIBLE INVESTING

DAN SEMRAD, LINCOLN OFFICE

“Socially Responsible Investing,” also known as sustainable investing, socially conscious or ethical investing, is an approach to investing which seeks to maximize financial returns while, at the same time, adhering to moral principles and advancing the social good. In general, socially conscious investors favor companies and corporate practices that promote such things as environmental stewardship, the well being of the consumer, human rights, respect for indigenous cultures and the honoring of national or political boundaries. The idea of social consciousness also deems important the aesthetic, qualitative and subjective nature of the goods and services that the private sector produces and that we as consumers seek out in a market place.

Some of the best known applications of socially responsible investing come from a religious paradigm which warns investors of the “sins” associated with investing in companies that are involved with firearms, liquor, tobacco and gaming. In fact, one of the articulate early adopters of socially responsible investing was John Wesley¹, a founder of Methodism, who warned against the harming one’s neighbor while involved in a commercial endeavor. Proponents of socially conscious investing have, over the ages, insisted that the pursuit of the moral good can and should be an integral component of the investment process.

Obviously the idea of socially responsible investing is open to scrutiny. For example, many would say that regulating markets, protecting the environment, addressing the rights of indigenous people, product safety and avoiding investments in tobacco and firearms are actually deterrents to the effective functioning of a market economy in the sense that they can be pursued only at the expense of reduced profits, productivity or full employment. Of course governmental regulation of the free markets is, for some, socialistic and considered to be an intrusion upon the capitalist form of economy.

All of us recognize the advantages of an ever increasing standard of living and, in more recent times, have really come to appreciate what that means. On the other hand moralist or religious thinking, in practically every known culture or religious system enjoins us not to place too much emphasis on material well being. Unfortunately for the moralist, economic development which, in theory, should lead to higher investment returns for the investor often is accompanied by undesirable effects like the homogenization of cultures, exploitation through outsourcing, corporate hegemony, and degradation of the natural world.

Perhaps because we are never clear as to why we attach such importance to economic growth in the first place, we are often at cross purposes or sometimes even embarrassed about what we want. We are capable of acknowledging that there is more to life than material goods and that transcendental values exist.

May we not forget that the value in a rising standard of living lies not just in the concrete improvement it brings to how individuals live but in how those rising standards of living shape the social, political, and ultimately the moral character of a people.

The further we investigate the arguments, concepts, and premises of socially responsible investing, the more complicated the matter, for us, becomes. As with anything worth exploring, the questions exceed our ability to provide answers. Nevertheless, steering a socially responsible and philosophical course in our investment practice is something we have been challenged and stimulated by for years. If this topic is of interest please contact Dan or Jeff Semrad at SMITH HAYES, 1-800-279-7437, 1-402-476-3000, dsemrad@smithhayes.com or jsemrad@smithhayes.com.

¹ http://en.wikipedia.org/wiki/John_Wesley

TRANSITIONS

CLINT RUSHING, CFA

- Traditionally, the months of April, May and June have been known as months in which major transitions occur. For instance, high school and college graduations held during the month of May mark the end of one chapter in life and signify the beginning of another. In addition, as residents of Nebraska, we know that the months of April, May and June have traditionally represented a transition from the wet and cool spring months towards the warmer summer months that vacationers all look forward to on an annual basis. Similarly, the second quarter of 2009 also represented a period of transition for the U.S. economy and equity market. During the final months of 2008 and the first quarter of 2009, economic activity declined at a precipitous rate as the full force of the credit crisis enveloped the globe and both businesses and consumers reigned in their spending activity, which led to a notable decline in Gross Domestic Product (GDP). However, during the second quarter, the pace of economic decline seemingly moderated in regard to several economic indicators of significance.
- For instance, while conditions within the U.S. housing market remain far from jubilant, we have witnessed several signs of improvement during the second quarter that are worth mentioning. First, existing home sales increased by 2.4% during the months of both May and April, as a combination of lower home prices, an \$8,000 tax credit for first time home buyers, and attractive mortgage rates, are all factors that are driving a modest improvement in the housing market. Also, while inventory levels remain elevated versus what would typically be considered a healthy supply and demand balance, the number of new homes for sale has been steadily declining during the past several months. In particular, at the end of May, there were 292,000 new homes for sale across the country, which represented a decline 16.6% relative to the end of 2008.
- In addition to a modest improvement in housing market fundamentals witnessed during the second quarter period of 2009, the U.S. labor market also showed signs of moderating decline during the latest three-month period. For instance, the chart below indicates that while the unemployment rate continued to climb during the second quarter, the decline in Non-Farm Payrolls has moderated to a certain extent during the past several months. With this being said though, we still have a long ways to go in terms of returning to a healthy labor market, as firms have yet to make the transition from lay-offs to hiring additional employees as of yet. During the coming months, investors will be looking for the U.S. economy to make the transition from economic moderation towards actual economic growth. If this transition does indeed take place during the remaining two quarters of 2009, U.S. equity prices may once again register more favorable performance characteristics.

U.S. New Homes For Sale: June 2004-May 2009

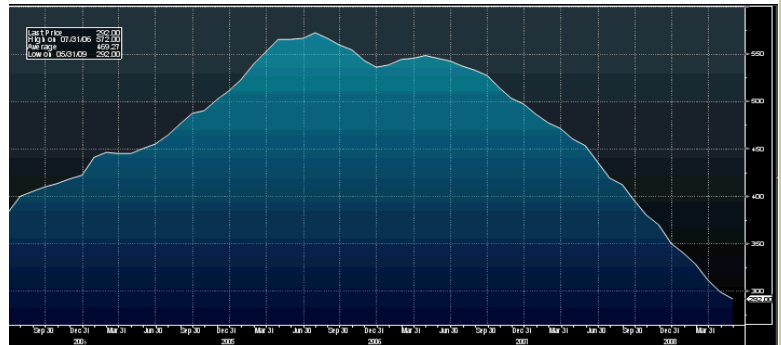


Chart Courtesy of Bloomberg

U.S. Labor Market Data:

Metric	May '09	April '09	March '09	February '09	January '09
Change in Non-Farm Payrolls	-345,000	-504,000	-652,000	-681,000	-741,000
Unemployment Rate	9.4%	8.9%	8.5%	8.1%	7.6%

Source: Bloomberg Data

CLIENT RELATIONSHIPS AND VALUE ADDED SERVICES

BRYAN SCHNEIDER, OMAHA OFFICE

When I first joined SMITH HAYES in September of 1996, one of the first things I noticed was the breath and depth of the relationships our people have with their clients. At that time, I was fortunate enough to be mentored by people who truly cared about their clients and would do anything they could to help them succeed. It is that aspect of my role as an advisor that I enjoy most, as well as assisting clients with not only their investment needs, but getting to know them or their organization on a deeper level and determining other ways I can help them be successful. For individual clients this may be assisting them in a search for a trusted insurance agent or estate planning attorney. For qualified retirement plan clients this may be helping them wade through ever-changing legislation. For Foundation and Endowment clients this may consist of providing them with information and resources on “best practices” in the nonprofit industry.

Below are two examples of how SMITH HAYES encourages and provides “value added” services to a couple particular segments of our clientele, qualified retirement plan sponsors, and non-profit organizations.

On May 14, 2009, SMITH HAYES conducted our 7th Annual Retirement Plans Conference. Held at the Scott Conference Center in Omaha, we provided our retirement plan clients access to some of the top experts in the industry. The agenda was very robust and covered the following topics:

- Behavioral Finance: Its effects on retirement plan participants.
- 408(b)(2) Regulations: Why the current administration pulled them at the last minute and why plan sponsors should begin practicing as if they were actually enacted.
- The Washington Scene: An in-depth look at the new administration’s attitude and approach to employee benefits such as retirement and health care plans.



After a 45-minute session on each of the topics above, the nearly 150 attendees were treated to lunch and a presentation by keynote speaker, Dr. Ernie Goss, a Professor of Economics at Creighton University. Dr. Goss gave a very insightful presentation on what led to the current economic recession and what he feels the economic future holds. The conference began at 8:30 am, was complete by 1:00 pm, and per the feedback we received, provided an efficient, content-rich experience for all who attended.

On June 16, 2009, the SMITH HAYES Columbus office held a seminar titled “Economic Outlook and Opportunity”. The event featured speakers from BlackRock Strategic Alliance Group and Van Kampen Investments and was a big success.

On a related note, we are currently planning a similar event for our Foundation and Endowment clients. On Thursday, October 29, 2009, SMITH HAYES along with Dr. Peter Frumkin will be conducting a half-day “best practices” symposium for our Foundation and Endowment clients. Dr. Frumkin is Professor of Public Affairs and Director of the RGK Center for Philanthropy and Community Service at the University of Texas at Austin’s LBJ School. Dr. Frumkin has written a book and several articles on topics related to nonprofit management, philanthropy, cross-sector partnerships, and service contracting. Considered one of the nation’s experts in effectively operating nonprofit organizations, Dr. Frumkin will be sharing his insight on the following topics.

- Clarifying your value proposition
- How to measure performance
- Personal traits of effective fund raising
- Scale and sustainability

We will be providing more details on this exciting event in the weeks to come.

Fostering our clients’ success is really at the heart of what we do. The relationships we have and continue to develop with our clients will always be SMITH HAYES’ most valuable asset.

Client Service Beyond the Call of Duty

Dear SMITH HAYES,

I would like to express my gratitude to Nancy Goldsby.

During tax preparation time, I was attempting to retrieve cost basis information for a client so that we could file her tax return by April 15th. Rather than filing an extension it was important to my client to get her return filed by the 15th because she had some personal commitments that would leave her unavailable through most of the summer. I was scrambling. I did not have good information and it was a substantial sale possibly resulting in significant tax if appropriate information could not be retrieved. I knew that she had formerly been a client of Smith Hayes and called on Lisa Smith in hopes that she would have some information that I could base an accurate calculation on. Nancy spent considerable time that day retrieving basis information and compiling it for me. As a result my client received a substantial tax savings and I was a hero to my client for getting her return done on a timely basis. Thanks Nancy for all your help. Your service to a former client and to me was beyond the call.

- A Local CPA

SMITH HAYES is proud of our client base and their accomplishments. We would like to share information about your recent milestones in our client newsletter. Please provide information regarding your recent life events that you are interested in sharing with the readers of our newsletter. The newsletter is distributed to clients and prospective clients on a quarterly basis.

*Please return to:
SMITH HAYES, 1225 "L" Street #200, Lincoln, NE 68508. Attn: Jennifer*

Client Name (Please Print): _____

Event Type: Birthday, Anniversary, Retirement, Wedding, Other: _____

Date of Event: Month: _____ Day: _____ Year: _____

Miscellaneous Information about the event: _____

Broker Name (if applicable): _____

Client Name: _____

Client Name: _____

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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