

April 2008 – *BACK TO BASICS*

We wrote in January of this year of a dramatic "Sea Change" in the attitude toward risk in the financial markets, particularly in the area of leveraged speculation. We have seen a striking unwinding of leverage over the past three months. We have also seen unprecedented losses and write-offs driven by that unwinding on the part of financial institutions. In our opinion, the peak of that crisis may have been reached on Sunday night, March 16th, when the Federal Reserve Board announced several measures geared toward stabilizing the financial markets, particularly the credit and bond markets, which had become nearly frozen in place. The situation was so dramatic that the Fed utilized a clause which it had not used since the Great Depression in 1933. Bear Stearns, a century old Wall Street investment firm, was the ultimate casualty of the credit crisis on that Sunday night.

I will not bore you with a repeat of all the news stories you have undoubtedly heard about the "Bear Stearns crisis", I think we are all pretty well informed about these events and other difficulties faced by Wall Street. What I will tell you is what I did as the senior member of The Narmi Group at Smith Barney on that Sunday evening. I called all of our team members at 9 pm that evening. I told them to be to work early in the morning and be available to speak with clients. I told them to be ready to make appropriate recommendations to each client they speak with on Monday. I told them to listen to those who were no longer comfortable being in the market, and take appropriate action. However, I also told them to think and act with logic, not emotion. I explained that, ex-financials, most blue chip stocks were of the same underlying business value on Monday as they were on the previous Friday afternoon. In fact, I believe that a number of our blue chip holdings were perhaps in an even stronger position despite a weakened financial environment because of their strong balance sheets and their potential ability to grab market share in the face of weakened competitors. Again, I said, the client must be comfortable, but both you and the client must think logically, not emotionally.

Moving forward, I believe there will continue to be ramifications from the sea change we are experiencing. I believe there are likely to be additional substantial write-offs on the part of financial institutions. However, I believe we have gone through the eye of this financial typhoon and there are bluer skies on the horizon. I base this outlook on a variety of factors. First, the emotional "shock value" appears to be wearing off. Second, I have continually expressed my confidence in the Federal Reserve System to take the appropriate measures when necessary. Third, I have been through many crises in my 37 year professional career as a financial advisor and I have many, many experiences to draw upon. As I saw this crisis unfolding, I strongly believed that the Federal Reserve, the Treasury Department, the Executive Branch and Congress would come together to do "the right thing" to keep our economy from entering severe crisis mode, as they have done several times in my nearly 40 year career. We can all debate politics and economics, but when the rubber hits the road, none of us want to live through a 1930's style experience. So, I am honestly optimistic.

I am optimistic about the economy and investing in the long term because I feel the speculation bubble has been popped and a "back to basics" approach to investing and risk will be the watchword for some time to come. In my opinion, that is right where many of our blue chip core holdings are centered. We are in "the bull's eye" and I believe we will be for some time. Broken markets and broken stocks take much longer to heal than investors emotionally want to believe. I, again, cite the NASDAQ COMPOSITE INDEX peak of 5400 nearly 8 years ago this month. Today, after eight years, we reside at approximately 2400 on that index.

I am pleased to announce that partner Theresa Rynaski's son, Alec, has been accepted into the Naval ROTC program (this is a big deal!) at the University of San Diego. In addition to his Naval ROTC scholarship, Alec also received a full academic scholarship from the University of San Diego. We are very proud of Alec and pleased that such fine young people continue to volunteer service to our country.

Austin has begun volunteer coaching at Westside High School where he works with the JV Baseball Team. Nick & his wife Stephanie continue to expand their dental practice in Elkhorn as well as their family; they are expecting a girl in May. Charlie & his wife Melissa just wrapped up their 7th year of coaching 7th grade boys basketball at St. Albert with a record of 19-2. Charlie & Melissa are also expanding their 'team' with another girl in June. Ellie is excited for spring sports to come along so she can get back to her evening 'taxi' work.

There is more good news within The Narmi Group at Smith Barney. We are pleased to announce that Jim O'Laughlin, a 31 year professional of Smith Barney, has joined our group. Jim and I have worked together all of those 30+ years. Jim brings a great deal of wisdom to our group and I am pleased to call him a partner. Jim and his wife Cecilia have been married for 37 years; have 3 grown children and almost 4 grandchildren. They are also active members of the Omaha community, as Jim has been involved for many years in the Hibernian's, Rotary, and countless charitable causes, and he is also well known on the tennis courts. Please welcome Jim to our group!

I will close by highlighting two areas for you: financial planning and a new area of business development by our group. Increasing numbers of clients are taking advantage of our retirement and life planning services administered by Theresa. We feel strongly that you need a plan that is updated *annually* to weather markets over the long term. Also, our group has opened a new area of focus: consulting services for foundations, endowments and deferred assets of non-profit institutions. We believe this is a natural fit for our group and our clients because of our mutual commitment to making our world a better place for our children and grandchildren. Do not hesitate to call us or refer us if you feel we may be of assistance in this area. We have decades of experience to offer potential clients.

As always, "back to basics", please share some of your excess with your church, family or school. Make the world a better place to live. This is where the real dividends of life are paid! You won't be sorry.

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