



February 2008

Positions Recently Added

XTO Energy, Inc. (XTO)

XTO Energy, Inc., based in Fort Worth, Texas, acquires and develops natural gas and crude oil properties. Its primary activities are concentrated in Texas, Oklahoma, Arkansas, Kansas, New Mexico, Colorado, Wyoming, Alaska, Utah and Louisiana. XTO's corporate strategy involves acquiring properties in the best major producing areas of the U.S., with established production histories, at a low cost. The Company then seeks to increase production through a variety of different exploration and production methods. We believe that XTO's strategy has been among the best in class relative to its peers of U.S. natural gas producers based on production growth, cash flow growth and return on invested capital. Additionally, we believe the Company's significant reserves will benefit from the rise in the price for natural gas. Moreover, in our view the underlying fundamentals for natural gas remain strong. Natural gas is the most widely used U.S. heating fuel and the third- largest source of electricity, after coal and nuclear plants, according to the Energy Department. Natural gas is also an important ingredient in making plastics and fertilizer. Given these positive characteristics, we have taken the opportunity to add shares of XTO broadly to client portfolios.

Existing Positions Increased

None this month.

Existing Positions Decreased

iShares MSCI EAFE Index (EFA)

Given the heightened risks to growth in both the economy and the financial markets, we have elected to further reduce our exposure to the MSCI EAFE Index (EFA). The reduction was based on our top-down, macro economic outlook, our related industry sector guidelines, which include a desire to reduce exposure to several of the more economically cyclical industry sectors and a desire to raise cash. The reduction decreased our exposures to several industry sectors that we view as less favorable given the current economic cycle including the Financials, Consumer Discretionary and Industrials sectors, which represent a large portion of EFA. Given our expectations for slower economic growth, we have taken a more defensive posture and favor less cyclical industry sectors such as Healthcare and Consumer Staples in the near term. Moreover, given the lack of visibility for economic growth and an increased level of volatility in the global equity markets, the reductions were also consistent with our desire to increase cash levels.

Positions Eliminated

None this month.

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