



March 2008

Positions Recently Added

None this month.

Existing Positions Increased

None this month.

Existing Positions Decreased

None this month.

Positions Eliminated

American International Group (AIG)

AIG is a global leader in insurance and financial services. Due to larger than anticipated declines and the risk of additional write-downs in the Company's portfolio of complex financial products, we have removed shares of AIG from portfolios. As the market value of AIG's insurance related derivatives portfolio (specifically credit default swaps) declined in market value, the company was forced to take larger than expected unrealized losses. More importantly, although AIG focuses on the highest rated, "super senior" portion of the marketplace, given the extraordinary conditions and lack of liquidity in certain sectors of the financial markets of late, the recently announced losses may not be the end of the story for the company, as a heightened level of financial risk and potential future write-downs remains. Overall, we remain underweight the economically sensitive Financial industry sector. The negative company fundamentals described above have increased the risk for the shares in the near-term in our view and we have removed AIG from portfolios.

Staples, Inc. (SPLS)

Staples is a leading office-supplies retailer. Operations at the Company are divided into three reporting segments: North American Retail, North American Delivery and International. As the economic weakness in the U.S. that started in the housing sector persists and combines with the higher energy prices facing consumers, growth at Staples is not immune. As such, Staples reported a sales decline in its North American Retail segment for the fourth quarter of 2007 earlier this year. More importantly, the Company lowered its expected growth estimates and it remains cautious about the economic climate and the potential impact for negative sales comparisons. While we believe Staples remains a leader in office-supply retailing, our internal analysis indicates that the growth expected in two of Staples segments (North American Delivery and International) is not sufficient to offset the potential declines in its largest unit, North American Retail, due to near-term macroeconomic weakness. Additionally, our desire is to remain underweight the Consumer Discretionary industry sector at the current time. As such, we have removed shares of Staples from client accounts.

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