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THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

Investing With a Business Valuation Approach

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LEAH R. FRIDAY is a Senior Vice President, portfolio manager, and securities analyst for King Investment Advisors, Inc. She has been with the firm eight years and has 11 years of experience in the investment business. A CFA charterholder and a Chartered Investment Counselor, she is a graduate of Texas A&M University with a BS in Economics. Before joining King Investment Advisors, she was a research analyst for Capital Research & Management in Los Angeles. As an analyst for KING, she has followed the healthcare and retail industries for the last eight years. She authors the firm's quarterly portfolio analysis publication, *KING Portfolio Review*, and has been both author and contributing author of *The Decision Maker*, a quarterly commentary on the financial markets and the economic environment. Her articles on the firm's equity holdings are widely distributed to major brokerage firms within the industry. Currently, she serves as an officer and Board member of the Houston Society of Financial Analysts and is the current Chair of the organization's Education Committee.

(TAK501) TWST: Could we start out with a quick overview of King Investment Advisors?

Mr. King: The firm is in its 23rd year. We are an investment advisor whose clients include institutions such as endowments, foundations, and employee benefit plans, as well as high net worth individuals. We manage both equity portfolios and balanced portfolios, along with fixed income portfolios for some specialized clients. In the equity area, we have four main offerings; we have a multi-cap portfolio, a mid-cap portfolio, a small to mid-cap portfolio (smid), and a small cap portfolio. We also have a mid-/small cap mutual fund, the Fountainhead Special Value Fund (KINGX).

TWST: Given the spread of the four portfolios, is there a common thread to how you invest or the philosophy you use?

Mr. King: Yes, there is. I will couch my comments primarily for the equity market. We describe ourselves as a value firm with a growth overlay. We focus on three key criteria that fall under the umbrella of the Business Valuation Approach. We look for companies that are selling at a significant discount to their private-market value or enterprise value. Essentially, if the company is trading at $30 and we think it is worth $60, we find that very intriguing. We are not interested in something that trades at $55 and the private-market value may be $60. We are essentially looking to buy a dollar for 50 cents. The discount to private-market value or enterprise value is one of our key criteria and is an approach that makes us fairly unique and has contributed greatly to our success.

denied access to either the debt market or the equity market, its stock price suffered severely during that period. Obviously that impacted us to some degree, but it was especially painful with smaller companies.

Ms. Friday: Going back to the private-market value leg of the three-pronged approach, because of our emphasis on cash flows, basically we avoided a lot of the high-tech companies. There were some software companies that looked attractive to us, but most of the tech companies and the Internet companies just never really looked attractive to us and didn't meet our buy criteria, so we avoided those landmines.

TWST: So you kept out of them on the way up and on the way down.

Ms. Friday: Exactly. However, because of our cash flow emphasis, we did think some of the cable and telecommunications stocks were attractive and that is where we got hurt in the first part of 2002.

King: Boston Scientific has been a huge home run for us. We were buying BSX in the teens and the stock today is in the low $60s. BSX was a busted growth stock as it was a company that had some disappointments, but at the same time it was undergoing a fairly significant transformation in product development that has now resulted in their being a major player in the stent market.

The second key criterion is that we look for companies that are trading at the lower end of their historical valuation range. In other words, stocks that typically trade on the basis of such fundamental benchmarks as price to earnings, price to book, or a certain yield. You want to buy such securities at the lower end of those fundamental parameters. As they reach the higher end of those parameters, we would consider them a source of funds.

The third criterion is the GARP principle (or, by our definition, growth at a reduced price). Unlike many perhaps more rigid value managers who focus simply on low price to book, low p/e ratios, or high yields, we will look at growth situations, but do not want to pay a premium for them. So if you can find a company growing at 15% to 20% per year and its p/e to growth ratio (PEG) is less than 1, we find that very attractive. Those are the three key parameters of our investment philosophy that drive our equity selection.

TWST: Did that approach keep you out of trouble during the bubble?

Mr. King: In many ways yes, although one of the areas where we had some disappointments was in companies that were highly leveraged such as in the cable and wireless industries. Also, the credit crunch that the capital markets experienced late in 2001 and in early 2002 impacted some of the smaller companies in our portfolio. Consequently, regardless of its very positive long-term fundamentals, if a company was

1-Year Daily Chart of Boston Scientific

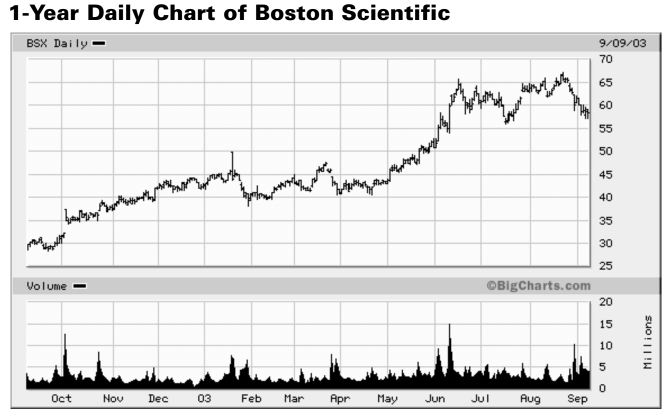

Chart provided by www.BigCharts.com

TWST: How has the performance been so far this year?

Mr. King: Excellent. Basically, we have outperformed all of our benchmarks or indices by a fairly significant margin.

Ms. Friday: It varies from portfolio to portfolio of course, depending on investment objectives, but in multi-cap we have been outperforming by 500 to 600 basis points versus the S&P 500. In mid-cap, we have been outperforming by about 600 basis points over our benchmark and with small cap, we have been doing about the same, with very strong performance there as well. In small to mid-cap accounts, we have actually outperformed by almost 700 basis points.

TWST: What has given you that strong performance?

Ms. Friday: A lot of good stocks. We have had an emphasis on financials and healthcare companies this year. We are a bottom-up oriented manager, thus we don't try to find different industries specifically that we think are going to outperform. However, there were a lot of companies that fell into the healthcare and financial industries that we thought looked very attractive. Roger might touch on the financials, and I can touch on the healthcare companies a little bit.

Mr. King: As a general comment, obviously there was a great deal of turmoil in the markets which reached a zenith in March with the Iraq situation. We are not market timers but rather we are focused on individual stock selection, and during the spring there were a fairly large number of companies that, based on their valuations in our judgment, were extremely attractive. Because of our willingness to stay the course, if you will, we benefited dramatically from the move up in the overall market since March. We have had some fairly good percentage moves in a lot of companies. Some were in the large cap area, but there was a fairly good representation in some small and mid-cap stocks that were simply at fire sale prices this past March. As a result, we have done very well.

TWST: Coming from the bottom up, where do the ideas come from?

Mr. King: We have seven investment professionals. We are a fairly closely knit group. We do a lot of our own individual research as well as getting information from the Street. We have also paid hard dollars for some non-brokers' independent research services for many years. So we do a lot of our own work and we utilize some independent services from the outside. Like most investment managers, obviously we try to find those people on the Street who provide some value-added input, but we are not a firm that gets a lot of ideas from many of the major brokerage firms. By the time we hear about it, it is ancient history.

Friday: King Pharmaceuticals is basically a very inexpensive specialty pharmaceutical company. One of their major products is a product called Altace, which is an ace inhibitor. They have the only drug on the market, with the exception of Aspirin, that has a label that says it helps prevent heart attacks and strokes. So the product is definitely differentiated and in the spring it became the most prescribed hypertension product, overtaking Pfizer's product.

TWST: So from your perspective, most of the ideas come from in-house.

Mr. King: I would say most of them. It is to some degree a combination; the genesis for the ideas often comes from internal research and we then do some cross checking from external sources. But some of our biggest winners not only this year but also over the history of the firm have come from the work we do internally, particularly with some of the mid- and small cap companies.

1-Year Daily Chart of King Pharmaceuticals

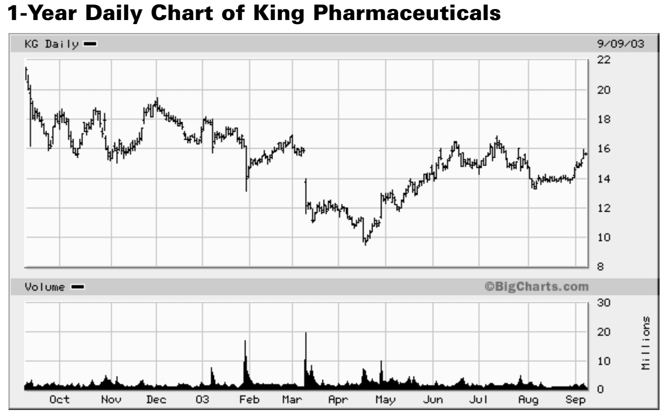

Chart provided by www.BigCharts.com

TWST: Do the ideas pop out of screens or are you going out and doing work?

Ms. Friday: It is from a combination of things. We do a lot of screens internally. Basically we have the industries broken up among the different investment professionals. We all have different methods and techniques that we like to use to find ideas. We have some Value Line screens and we use some Bloomberg screens that we have created ourselves. We also attend a lot of meetings with management teams and industry conferences. And we do a lot of reading. We truly have a variety of sources from which ideas can be generated.

Mr. King: We draw upon a number of proprietary reports that we run daily. Some of them are from readily available sources and some we have customized. We do various computer sorts to look for some of the dynamics that we think are important in isolating value. We do this not only on the stocks that we own but also with a larger universe of companies that we track that would begin to pass or filter through some of the screens we do have. For example, every night we process a pricing report on about 1,000 stocks. We have some computer screens that we run which show the potential appreciation on a number of stocks that we own as well as a universe of stocks which we call our "watch list" (for potential buys, it is not a negative watch list). So it really is a combination of a very sound and ongoing fundamental analysis as well as utilizing technology from proprietary screens to do some filter analysis for us. It is a fairly dynamic process.

macroeconomic factors. You ignore them at your peril. Over the past several quarters the interest rate cycle has been such that it has benefited the bond market, at least through June, as well as proxies for the bond market, such as the banks, and companies in the mortgage industry. The financial services industry has benefited dramatically from the decline in interest rates. Many financials have experienced earnings growth that has been fairly dramatic. Consequently, our overweighting of financials benefited our performance. Typically you see industries that the market is grossly undervaluing at the same time that it is overvaluing others. As a result, it is not unusual for us to be perhaps slightly overweighted or underweighted in a particular industry.

King: Dillard's: About three or four years ago this company had an offer from one of the major retail chains to sell at somewhere in the $40-$50 range. The stock today is around $14 or $15. The market cap is $1.9 billion. The Dillard family is not interested, based on everything we can ascertain, in running this operation since the founder passed away... And in a better economic environment, this would make a very good niche acquisition for some of the major retailers.

TWST: It sounds as if Street input is rather limited.

Mr. King: It is not a major factor. We utilize it only in the sense that it is an after-the-fact verification of some of the work we do.

Ms. Friday: I will tell you a good example of how we use Street research. Many times we will find a name in which we are interested and we will do our own internal modeling and then try to determine the company's private-market value. Upon completion we might go back and speak with some Wall Street or independent analysts who we think are fairly knowledgeable on an industry or company. We often will look at some of their research reports, such as an initiation of coverage that has background information on the company because Wall Street does put out some pretty good information along those lines, but we really don't use other people's ratings or opinions. It is just not a driver of our research process.

Mr. King: Typically, most money managers realize that in most cases when you have these upgrades or downgrades, it is too late to try to catch the train.

TWST: How did you arrive in the right groups for this cycle?

Mr. King: A lot of our work is geared toward: What is the value of the business? What kinds of cash flows is a company generating? What is it that makes a company work? Typically what you see are various industries and companies that tend to go through periods of overvaluation or undervaluation. So while our primary focus more often than not is company specific, we obviously pay attention to

1-Year Daily Chart of Dillard's

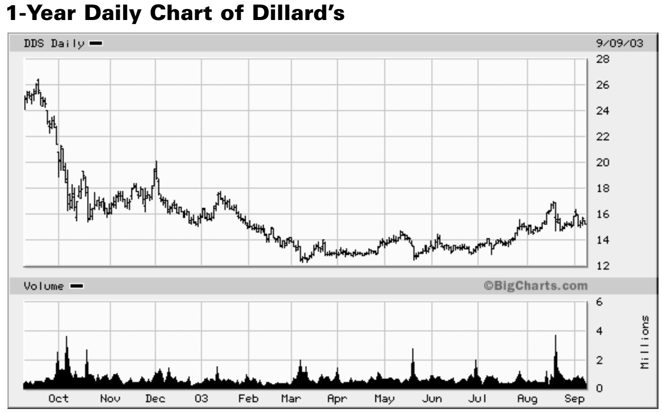

Chart provided by www.BigCharts.com

In addition to the financial industry, we were overweight in the healthcare industry. On a long-term basis, healthcare expenditures comprise a major portion of the GDP. We believe it is an industry that will continue to do well in terms of its share of expenditures.

We steered away from technology, and the underweighting helped us earlier in the year, although in the last few months the lack of exposure was a slight drag. The technology industry is in many respects, particularly for the manufacturers of hardware, a cyclical business. We have never put a great deal of capital into highly cyclical, highly capital intensive businesses or those that essentially pile any cash flow they get back into R&D and/or plant and equipment expenditures. If you look at the technology industry and particularly hardware manufacturers, they rarely have any free cash flow. Very few of them pay a dividend and they just eat up capital. It is a highly competitive industry. Someone is always coming out with a better mousetrap.

While we have benefited from certain industries, we also had a number of specific companies that for a number of reasons within our judgment were significantly undervalued. We like companies where the cash flow is somewhat more predictable and, hence, sustainable. In addition to financials and health care, we have also had a rather eclectic mix of securities. We have done well with investments in some in the media and entertainment business. For example, we made some nice money on **Fox Entertainment** (FOX) and **Viacom** (VIA/B). Another example of a cash flow story was the under-followed gem **Pep Boys** (PBY). We bought **Pep Boys**, an auto parts distributor, in the spring. In terms of its price to cash flow, it was just being given away. That stock has appreciated 82% since our purchase.

Medicare rebating issues. They are close to the end of this investigation; their internal investigation has been completed. We don't think there is much risk in here but a lot of upside potential. That is one that we like.

Another company in which we have a nice little gain for our small cap portfolios is **Interpore Cross International** (BONZ). The stock is up about 120% for the year. It is an interesting company. It is a medical device company with an emphasis on the spinal area that has been plowing money into R&D over the last few years. There has been a lot of M&A going on in this area. In fact, they are actually the last pure play publicly traded company of size that is still independent. You saw a major bidding war in the industry going on between **Smith & Nephew** (SNN) and **Zimmer** (ZMH) over a company called **Centerpulse** (CEP). The bidding war was indicative of the significant value in spinal companies. If you apply comparable multiples to **Interpore**, you can get a private-market value of around $21 per share. As mentioned, the stock is up quite a bit for the year and is currently under $15, but we still think there is upside there. We own **BONZ** primarily in our small cap portfolios, as the market cap is only about $250 million.

Friday: Mylan, which stubbed its toe several years ago, is one of the largest generic drug companies in the United States. The company has successfully transformed itself into a much better operator over the last 18 months. In addition, after a period of heavy investments into R&D, its pipeline is very solid.

TWST: Looking at the healthcare area, what is a favorite name there for you?

Ms. Friday: In health care there are several names that we have been nibbling at lately. One is **King Pharmaceuticals** (KG), which has no affiliation with our company. **King** is basically a very inexpensive specialty pharmaceutical company. One of their major products is a product called Altace, which is an ACE inhibitor. It is a drug for hypertension, which is a fairly competitive space in the market today. However, they have the only drug on the market, with the exception of Aspirin, that has a label that says it helps prevent heart attacks and strokes. So the product is definitely differentiated and in the spring it became the most prescribed hypertension product, overtaking **Pfizer**'s (PFE) product.

They have an interesting portfolio with a good mix of products. The stock is down from $46. Today it is $14 and is trading at approximately 8 times earnings.

Mr. King: We have only started buying that recently. We didn't want it at $46.

Ms. Friday: We have been buying it here. It has been under an SEC investigation, which started last November, relating to some

1-Year Daily Chart of Mylan Labs

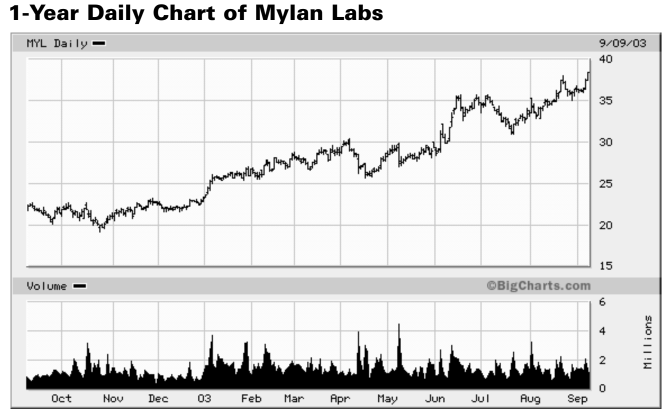

Chart provided by www.BigCharts.com

Another healthcare company where we have made a healthy return is with **Mylan Labs** (MYL). **Mylan**, which stubbed its toe several years ago, is one of the largest generic drug companies in the United States. The company has successfully transformed itself into a much better operator over the last 18 months. In addition, after a period of heavy investments into R&D, its pipeline is very solid. Over the last year, the environment for generic companies has been favorable, as an unusually large number of blockbuster drugs have gone off patent; the legal, regulatory, and political environment has become more favorable; and generic companies have become more savvy. While we are not buying **Mylan** today, on average, our clients have enjoyed just over a 120% gain in the stock.

TWST: So in that case, you don't mind the R&D expenditures because there is a return.

Mr. King: Exactly. Medical device and pharma companies differ from technology companies in many ways. As opposed to some manufacturing technology companies, and despite the eventual threat posed by "me-too" products, for a period of time many healthcare companies can greatly benefit from their research. Some of their discoveries can become blockbuster products which can be extremely profitable for a number of years.

I might mention one stock in which we still have a position, although we have pruned it from time to time, and that is **Boston Scientific** (BSX). It has been a huge home run for us. We were buying **BSX** in the teens and the stock today is in the low $60s. I think that illustrates an example of some of the work that we do. **BSX** was, shall we say, a busted growth stock as it was a company that had some disappointments, but at the same time it was undergoing a fairly significant transformation in product development that has now resulted in their being a major player in the stent market. Obviously, Wall Street now likes the company. In the mid-teens it was probably selling at half of its worth as a going concern and nobody liked it. Wall Street said that it had no near-term catalyst and no visibility or the like. But time and time again, we have seen examples of what occurs when visibility improves and everything is fairly well known. By then, most of the money has already been made.

Another area where we have put some money to work and where it looks like we are going to get a nice payoff is in the retail industry. We have holdings in **Duane Reade** (DRD), which residents of the Big Apple inevitably pass by multiple times a day. **Duane Reade** is a major presence in the pharmaceutical retail industry in New York City. They were obviously clobbered by the economic fallout of 9/11 due to their New York presence. However, they made some very smart moves last year, negotiating real estate commitments at a time when New York was down and out. They've really improved their balance sheet. They have been investing for the future over the last couple of years and it is beginning to pay off.

So we think that **Duane Reade**, first, will do well on a fundamental basis operationally, in terms of their profit margins, as the overall economy improves, but, second, and as a bonus or icing on the cake, we think that it's trading at a significant discount to its private-market value. It's a prime jewel of a property. You may not think that when you walk by it, but it would make a nice little fill-in niche acquisition for some of the major players in this industry.

King: From time to time, we've been able to buy some companies via private placements that eventually have an IPO six to nine months down the road. The end result so far has been fairly significant price appreciation in most of these opportunities. There are two companies where we've seen that happen within the past year or so.

Ms. Friday: New York is really an unusual market versus the rest of the nation, in that real estate is a major barrier to entry. Basically, you don't have the big discounters in there, such as the **Wal-Mart**s and the wholesale clubs. So **Duane Reade**'s front end, which is basically everything except the pharmacy products, has margins that have historically been much better than the rest of the nation. Of course, the last few years have been different because of September 11 and the economic issues in New York. But when the economy does come back, the structure of the market itself will help **Duane Reade**. **Duane Reade** has been financially able to withstand this downturn, whereas a lot of its mom-and-pop competitors have not. Importantly, **Walgreen** (WAG), **CVS** (CVS)**,** and **Rite Aid** (RAD) have all tried to enter the market, but they've all pulled out. I think **Walgreen** still has one store in the Empire State Building, but no major retail chain has a significant presence. **Duane Reade** has been competing against all these mom-and-pops and many of those have gone out of business in the last few months. So **Duane Reade** is going to emerge much stronger after surviving this environment and is in better shape than they were in when they first entered it.

Mr. King: We own another couple of companies in the retail industry. We own some **CVS**, which, obviously, we think should benefit as the economy improves. On a fundamental analysis basis, the stock had gotten down into the low to the mid-$20s when they were out doing a fairly aggressive program of expansion. This hurt their margins in the short run, but we think they are going to get a payoff over the next few years.

Another company in the retail business that we've begun buying and building a position in is **Dillard's** (DDS). It's a retail department store chain located primarily in the Southwestern, Southeastern and Midwestern United States. About three or four years ago this company had an offer from one of the major retail chains to sell at somewhere in the $40-$50 range. The stock today is around $14 or $15. The market cap is $1.9 billion. The Dillard family is not interested, based on everything we can ascertain, in running this operation since the founder passed away. They own a lot of their real estate, which is unusual in the retail industry, and we think the liquidating value of this company is significantly higher than where the stock is trading. And in a better economic environment, this would make a very good niche acquisition for some of the major retailers. We think that the risk/reward here is very attractive.

Let me mention one of the strengths of our firm which has been illustrated by some of the things we just mentioned. If you look at the market capitalization of **Duane Reade** and **Interpore**, these are relatively small companies. **Interpore** has a market cap of about $260 million and, of course, their stock has doubled over the past few months. So when we were buying it, the market cap was closer to $130 million. **Duane Reade** has a market cap of $400 million and **Dillard's** is $1.9 billion. **Pfizer**, of course, is a multi-billion dollar company. We think that one of the biggest assets we can bring to our clients is the ability, through various market cycles, to capitalize on the best investment opportunities, regardless of the size of the corporation.

We are able to buy these smaller companies and exploit an inefficient sector of the market because of our size. Unless a larger money manager is running a sector fund, they probably won't buy an **Interpore**, **Duane Reade,** or **Dillard's**, as it's not going to make a dent in their performance.

TWST: Or they just can't buy it.

Mr. King: They would wind up owning the whole company and they're not going to do that.

Another arrow in our quiver is a somewhat tangential issue. For our high net worth clients and some of our institutions, we do some work in the private placement area. From time to time, we've been able to buy some companies via private placements that eventually have an IPO six to nine months down the road. The end result so far has been fairly significant price appreciation in most of these opportunities.

There are two companies where we've seen that happen within the past year or so. **Saxon Capital** (SAXN), which we bought at $10 as a private placement, is trading at $17 today. It's a great little company and their earnings are growing at a very healthy rate. Another stock that we purchased at $10 several months ago as a private placement was shortly thereafter paying a $1 annualized dividend. The company, **American Financial Realty Trust** (AFR), is a specialized real estate investment trust. Its IPO was in June and it's now trading at around $14 or $15 a share. So for a number of our clients who give us the latitude, our firm has the ability to participate in private placements, which obviously can also help performance.

TWST: You mentioned financial services as another area you've done well in. What are some of the highlights there?

Friday: When the economy does come back, the structure of the market itself will help Duane Reade. Duane Reade has been financially able to withstand this downturn, whereas a lot of its mom-and-pop competitors have not. Importantly, Walgreen, CVS, and Rite Aid have all tried to enter the market, but they've all pulled out.

Mr. King: We've benefited from various companies across the spectrum. We bought **J.P. Morgan** (JPM) when everybody was ready to throw them in the East River. We bought shares in the low $20s and we have about a 45% gain there. A couple of years ago, we invested in **Countrywide Financial** (CFC), which is coining money. The company obviously has benefited from the refinancing boom, but they've also diversified their business. It is a major mortgage service provider and right now they're trading at approximately 5 times earnings. Of course, these are peak earnings. Their normalized earnings stream may be $8-$10 a share, but the stock is still $68 a share. We bought it in the low $40s and think there is still some good potential there.

We put some money in **Capital One Financial** (COF) earlier this year. We bought the stock in the low $30s and today it's around $50, and we think that it still has meaningful upside, despite a nice run. In many cases the Street becomes overly pessimistic on an industry and/or on a stock, and those are often the times when you're provided an opportunity to buy a good, viable business at an attractive price. Certainly, this year, **Capital One** and **J.P. Morgan** are good examples of this tendency. They've done a nice job of contributing to our performance. And **Saxon Capital** has done very well for us in the small cap area.

On a more mundane level, we bought **Prudential Financial** (PRU) when it was under $30. Here was a mutual company that had come public. The management was very clear about its desire to improve its return on equity. They've continued to prune and rationalize their business, and the profitability of the company has been steadily increasing. It was selling at a very attractive price relative to its book, and we thought that it was a fairly low risk situation. It is not a high-reward opportunity, but a reasonably predictable-reward type of stock. It is still selling at a discount to its book, and that book continues to go up at a fairly steady pace.

TWST: Does something like the change in the interest rate direction cause you to rethink your financial services weightings?

Mr. King: Yes, to some degree, though we think there is a common misperception on Wall Street and in the investment community regarding interest rates, particularly with banks. Actually, banks do fairly well in rising interest rate environments in terms of profitability, but obviously interest rates starting to go up is usually a sign of an improving economy, so people rotate out of financials into either more aggressive growth or cyclical growth, and in many respects use financials as a source of funds. I think one of the different dynamics today is the attractiveness of dividend yields and the fact that to some degree you have a floor under many of these stocks. Many are attractive investments in terms of their yields, but certainly the relative performance of financials will probably lag somewhat. We have pruned, or in some cases eliminated positions in our financial holdings in recent weeks. We certainly wouldn't be aggressive buyers of financials across the board today.

I think the more leveraged players in the industry would probably be the ones that are hurt, particularly if they have high balance sheet exposure through their bond holdings. For example, there's a lot of controversy around **Fannie Mae** and **Sallie Mae** and **Freddie Mac** right now. We don't own those. We just think there are too many question marks about their operations, and certainly if the cynics are only half right, there are some potential problems there as a result of the unwinding of the interest rate cycle and more insight developing as to how their businesses work.

TWST: What causes you to rethink a position and sell it?

Mr. King: We sell a stock for four key reasons. The best reason in the world is if a stock price hits the target that was established when we purchased the stock. Our investment advisory group is composed of the key investment members of the firm. Based on analysis, the individual or individuals who are responsible for bringing that idea to the table have to set forth their reasons for purchasing the security, their rationale, where they think the price will go, and the time frame in which the target price should be met. In many cases things evolve the way we would like and a stock hits its target. All things being equal, that's usually a point in time when we would begin to prune and/or eliminate the position. That's the ideal.

The second sell trigger would be a situation in which our client portfolios were relatively fully invested, and we find another company or handful of companies that we believe offer compelling value. The dynamic work of price monitoring and fundamental monitoring that we do might tell us that for some existing holdings, the potential price appreciation is not as great as that of a new prospective purchase candidate. So we might prune back, or eliminate one or more positions in order to raise capital. That's simply an issue of finding better relative value and redeploying the capital from existing assets.

A third reason, and always the most disappointing, particularly for a fundamental manager, is that things are just not working out as you had envisioned them. Maybe there is some significant competition that has come into play, management has made some ill-advised acquisitions, certain product lines are not developing, or for any number of reasons, the fundamentals have deteriorated, and that begins to be reflected in the stock price. You simply have to step back and say, "Our basic thesis for owning the security is no longer valid."

Also, over a year ago, we enhanced our sell process that we've had for many years, and we became more proactive in terms of monitoring not only the absolute price movement of our holdings, but also how those holdings were performing relative to some basic indices in terms of 10-day, 30-day, 50-day, and 200-day moving averages. In many cases, if a stock begins to underperform, it might be a signal of some fundamental problem. But on balance we have become much more proactive about minimizing losses. It's inevitable that you're going to have stocks that don't do well for whatever reason. However, we don't want to find ourselves in a situation where the loss gets progressively larger.

Those are the four fundamental reasons why we may sell a security.

TWST: Thank you.

Note: Opinions and recommendations are as of 8/27/03.

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