MID-CAP PORTFOLIO

KING

King Investment Advisors, Inc.

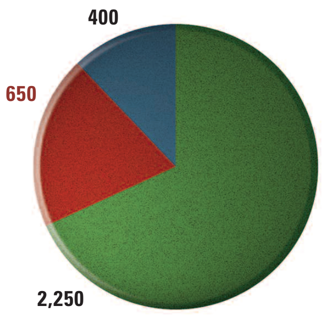
M I D - C A P   P O R T F O L I O
($700 million to $8 billion)

What are Mid-Cap Stocks?

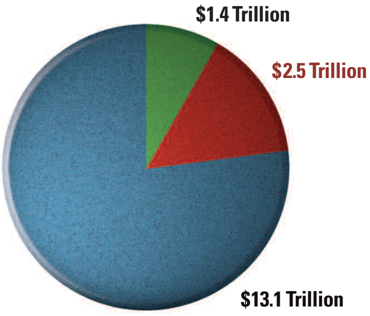
- While these companies are smaller than those found in the S&P 500, their size can be an asset. For one, they are frequently characterized by smaller management teams; thus, they can react quickly to market changes, which often leads to greater growth potential than that of their larger counterparts. In addition, because they are frequently better financed and have more established product lines, they are often less volatile than small-caps.

- Our Business Valuation Approach identifies mid-cap companies selling for less than their true intrinsic values. Our portfolio will invest in companies with a market cap between $700 million and $8 billion (at cost). These companies sell at (1) a discount to their private-market values, (2) a discount to their historical valuations, and/or (3) low prices relative to their expected growth rates. KING invests in these companies believing the stock market will eventually realize their intrinsic values, causing their stock prices to rise.

Universe of U.S. Companies
(illustrated in absolute numbers)



Market Value of Mid-Cap Companies



Small-Cap   Mid-Cap   Large-Cap

Why Invest in Mid-Cap Stocks?

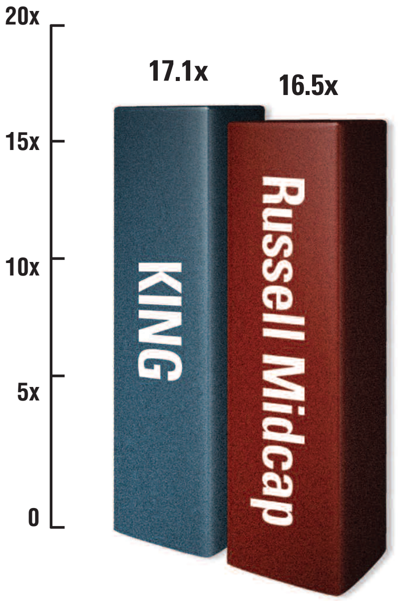
- Historically, small-cap, mid-cap, and large-cap stocks have had long but varying cycles of relative outperformance, which may be followed by extended underperformance. A properly diversified portfolio including a mid-cap strategy reduces the capitalization risk and allows an investor to maximize long-term returns.

- Mid-caps have less Wall Street coverage than large-caps, which makes them a less efficient market segment, providing richer opportunity for investors.

- Many industries in our economy are continuing to consolidate as competition grows more fierce. Many mid-cap companies have niche products and unique franchises, which can offer attractive growth potential to larger companies.

Mid-Cap Stocks: Valuations

On a P/E basis (based on 2008 estimated earnings as of 6/30/07), many mid-cap stocks currently are trading at attractive valuation levels. Lower P/Es, in many cases, mean less risk, which is a desirable characteristic in today's financial markets.



Portfolio Construction

■ Portfolios typically hold 25-35 stocks. Our goal is to buy the best stock values with the greatest opportunities for price appreciation. Therefore, some industries are significantly over-weighted or under-weighted. The average holding period for a stock is 18 months. The percentage of stocks in each market cap category will vary.

Equity Buy Discipline

■ Portfolios are typically invested over a 30-90 day period. We review client portfolio holdings daily, and purchase stocks that meet our buy criteria. We typically defer buying stocks that have had recent, sharp, upward moves, or that are near our target price.

Sell Discipline

■ We evaluate securities for sale as fundamentally as we do for purchase. Our primary reasons for selling a security are:

- Price objectives met
- Fundamentals change
- More attractive alternatives found

■ A secondary consideration is price deterioration versus a broad market index. Our sell discipline is driven by fundamentals, but poor relative performance may cause a stock to be considered a candidate for sale.

Cash Position

■ Cash is strictly a by-product of the investment process. We are typically fully invested in stocks. When the risk/reward for common stocks appears unfavorable, or when price valuations are not attractive, portfolio cash positions may increase by virtue of neither holding nor purchasing stocks that fail to meet our value criteria.

Our strategy for making your investments work for you

King Investment Advisors, Inc., founded in 1981, manages approximately $800 million in stocks and bonds. We are value investors with a growth overlay. Our goal is to provide outstanding long-term investment results while minimizing the risk of our clients' capital.

We adhere to the *Business Valuation Approach*. We seek to identify attractive investment opportunities using a broad definition of value, uncovering securities often overlooked by other investors. This Approach has served our clients well for many years in different economic environments.

We are dedicated to providing a high level of professional service to our clients. Additionally, we are committed to the highest level of ethical standards by always placing the interests of our clients first. We manage our clients' assets as if they were our own.

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