KING INVESTMENT ADVISORS, INC.

HOUSTON
King Investment Advisors, Inc.
1980 Post Oak Boulevard, Suite 2400
Houston Texas 77056-3898
713.961.0462: phone
713.961.5613: fax
www.kingadvisors.com
information@kingadvisors.com

DALLAS/FORT WORTH
King Investment Advisors, Inc.
1408 West Abram Street, Suite 203
Arlington, Texas 76013
817.542.0303: phone
713.961.5613: fax

Form ADV
Part 2A

January 1, 2013

This brochure provides information about the qualifications and business practices of King Investment Advisors, Inc. (KING). If you have any questions about the contents of this brochure, please contact us at 713.961.0462 or information@kingadvisors.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about King Investment Advisors, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

Note: *Any reference to being "registered" does not imply a certain level of skill or training.

Item 2

Material Changes Summary

There have been no material changes since KING's initial filing on January 1, 2011.

1980 Post Oak Boulevard, Suite 2400 Houston, Texas 77056-3898 | 713.961.0462 | www.kingadvisors.com

KING

Item 3

Table of Contents

Item 4, Advisory Business.....page 3
About the Firm ■ KING's Mission ■ Investment Services: Separately Managed Portfolio Strategies, Financial Planning, Multiple Asset Class Investment Strategies, Concentrated Portfolio Management, Corporate Retirement Planning, Model Portfolio Consulting Services, Additional Services ■ Wrap Fee Programs ■ Client Assets

Item 5, Fees and Compensation.....page 5
Separately Managed Accounts ■ Wrap Fee Programs ■ Financial Planning ■ Multiple Asset Class Investment Strategies ■ Mutual Funds

Item 6, Performance-Based Fees and Side-by-Side Management.....page 10

Item 7, Types of Clients.....page 11

Item 8, Methods of Analysis, Investment Strategies, and Risk of Loss.....page 12
Methods of Analysis ■ Material Risks ■ Illiquid and Restricted Securities ■ Separately Managed Portfolio Strategies ■ Financial Planning ■ Multiple Asset Class Investment Strategies ■ Concentrated Portfolio Management ■ Model Portfolio Consulting Services ■ Corporate Retirement Planning ■ Additional Services ■ Wrap Fee Programs

Item 9, Disciplinary Information.....page 19

Item 10, Other Financial Industry Activities and Affiliations.....page 20
■ Adviser to Investment Company ■ Sub-Advisor Relationship

Item 11, Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....page 21
Code of Ethics ■ Review of Accounts ■ Frequency of Reports to Clients ■ Employee Participation or Interest in Client Transactions ■ Personal Trades ■ Associated and Proprietary Accounts Trades ■ Class Action Claims

Item 12, Brokerage Practices.....page 23
Research and Other Soft Dollar Benefits ■ Directed Brokerage ■ Compensation to Brokers or Others for Client Referrals

Item 13, Review of Accounts.....page 27

Item 14, Client Referrals and Other Compensation.....page 28

Item 15, Item Custody.....page 29

Item 16, Investment Discretion.....page 31
Authority for Investment Discretion ■ Best Execution ■ Trading Errors

Item 17, Voting Client Securities.....page 33

Item 18, Financial Information.....page 34

1980 Post Oak Boulevard, Suite 2400 Houston, Texas 77056-3898 | 713.961.0462 | www.kingadvisors.com

KING

Item 4

Advisory Business

King Investment Advisors, Inc. (KING), founded in 1981, is employee-owned. For over thirty years we have managed customized securities portfolios for individual and institutional investors. 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.

KING is an SEC-registered investment advisor offering portfolio management and financial planning. The firm is 100% employee-owned, with Roger E. King, CFA as majority owner. Pat H. Swanson, CFA and Leah R. Bennett, CFA are Managing Directors and principals in the firm.

King Investment Advisors provides money management to a diverse group of clients, including high net worth individuals and families, institutional investors, business owners, and trusts. Our institutional clients include corporations, employee retirement plans, public funds, foundations, and endowments.

Our investment services are tailored to the individual needs of the client. Through in-depth discussions we determine how to best help them achieve their investment goals. It is by listening that we gain an understanding of the client's investment profile. As such, clients may impose restrictions on investing in certain securities or types of securities.

KING's Mission

Our mission is to provide superior investment advisory services to our clients through the management of their securities portfolios. We strive to earn above average long-term investment returns by using our Business Valuation Approach. We offer exceptional individual service to our clients.

Everyone within the organization is responsible for maintaining the highest ethical standards when conducting business. As an investment advisor, KING serves as a fiduciary, and as such, we owe our undivided loyalty to our clients. We must never allow our own interests to be placed above those of our clients. Experience shows that if we serve our clients well, our own success will follow.

Investment Services

Separately Managed Portfolio Strategies

Financial Planning

Multiple Asset Class Investment Strategies

Concentrated Portfolio Management

Corporate Retirement Planning

Model Portfolio Consulting Services

1980 Post Oak Boulevard, Suite 2400 Houston, Texas 77056-3898 | 713.961.0462 | www.kingadvisors.com

Additional Services
Individual Consultation
Portfolio and Investment Profiles
Quarterly Investment Newsletters
Quarterly Portfolio Reporting
Quarterly Tax Capital Gain/Loss Reporting

Wrap Fee Programs

KING provides portfolio management services by participating in wrap fee programs. For a description of the management services and fee structure, refer to “Fees and Compensation,” Item 5 of this disclosure brochure.

Refer to “Methods of Analysis, Investment Strategies, and Risk of Loss,” Item 8 of this disclosure brochure for additional information about our investment services.

Client Assets

As of 12/31/12, KING manages $427 million discretionary assets and $8 million non-discretionary assets; total regulatory assets under management, $435 million.

Item 5

Fees and Compensation

Separately Managed Accounts

The annual fee schedule for Separately Managed Accounts is described below.

Equity and Balanced Separately Managed Accounts
First $5.0 Million ……1.00%
Next $5.0 to $10.0 Million……0.75%
Next $10.0 Million, and above……..0.50%

Small-Cap Equity Separately Managed Accounts
First $5.0 Million ……1.00%
Next $5.0 to $10.0 Million……0.90%
Next $10.0 Million, and above……..0.85%

Initial Administrative Fee: $250

Minimum Annual Fee: $10,000.00

Fees are payable quarterly, in advance.

KING bases the fee on the market value of clients' assets as calculated on KING's internal portfolio accounting system. Fees are only invoiced after a client's account has been reconciled to the client's custodial statements. Even when reconciled, there may be differences between the account values calculated by KING's portfolio accounting system and the custodial statements. Such differences can be due to (a) the timing of transactions and income items over the end of a reporting period, and (b) individual security pricing differences.

The Investment Advisory Agreement (IAA) may be terminated at any time, without penalty, by client or by KING on ten (10) days' advance written notice to the other party. Certain clients may pay less than the minimum annual fee and receive a different level of service and/or reporting, as mutually agreed upon. On termination of the IAA, prepaid unearned fees are refundable, less reasonable charges for servicing and administration. If the Agreement is terminated before the end of a fee period, KING will refund to the client a prorated portion of the advisory fee paid for that fee period, after deducting actual costs incurred by KING in administering the Portfolio through the date of termination.

Valuation: The portfolio's market value will be determined by adding the value of all securities and other assets. For purposes of determining the client's portfolio's market value, securities traded on national securities exchanges are valued at their daily closing sale prices if available; if not available, such securities are valued at the mean between the most recent bid and ask prices. Other securities for which current market quotations are readily available are valued at the mean between the bid and ask prices, and securities for which current market quotations are not readily available are valued at their fair value as determined in good faith according to procedures established by KING. KING may use an independent pricing service to determine a security's value. The portfolio's market value may be calculated for any day on which the New York Stock Exchange is open for trading and will be calculated as of the close of the New York Stock Exchange on that day.

KING's Investment Advisory Agreement (IAA) states the amount of client fees, and how often the client

will be billed. Fees, based on the market value of the assets managed, are billed quarterly in advance. Fees may be deducted from the client's assets or invoiced, according to the client's preference. If asset mix, client service, report requirements, or other circumstances warrant, fees may be negotiable. Clients shall be solely responsible for the expenses of the portfolio including but not limited to, custodial fees, brokerage commissions or other transaction fees charged by executing broker-dealers in connection with portfolio transactions; interest, borrowing expenses and taxes. KING's fee does not include the costs of, and KING will not prepare, legal documents or act in an accounting capacity on behalf of the client.

Wrap Fee Programs

KING also participates in certain wrap fee programs sponsored by brokerage firms through which the firms offer KING discretionary investment-management services (and those of other investment advisors) to the brokerage firms' clients. Each client selects KING and enters into an investment-advisory agreement with the brokerage firm, and then the brokerage firm has a separate sub-adviser agreement with KING. KING's client is the wrap sponsor rather than the individual investor. The client pays a single "wrap fee" to the brokerage firm based on the net value of the assets under management. The agreement can be terminated at the written request of KING, the client, or the brokerage firm. Upon termination, KING will refund all pre-paid, unearned fees to the brokerage firm.

The broker-dealer recommends KING as a manager, pays KING management fees on behalf of the client, executes the client's portfolio transactions without commission charges, and monitors KING performance. Since wrap accounts are not traded on KING's portfolio management system. KING depends on the sponsor to generate the fee calculations. The broker-dealer often provides custodial, trading, and administrative services, all for a single fee. Typically, in a "wrap fee" arrangement, KING will receive a management fee in the range of 0.5% to 1.0% of assets managed. In evaluating such a program, a client should understand that KING does not negotiate brokerage commissions. The broker-dealer's portion of the "wrap fee" is generally in lieu of commissions. However, certain broker-dealers have contracts with their clients as well as with KING which do not preclude them from collecting specialized charges to the client's account, such as those resulting from mark-ups or mark-downs in principle transactions. Trades will generally be executed only with the referring broker to avoid the incremental costs incurred by use of other brokers. However, if it is in the client's best interest, KING retains the authority and discretion to execute trades with broker-dealers other than the referring broker. In evaluating a "wrap fee" arrangement, the client should consider whether depending on the level of the "wrap fee," the amount of portfolio activity, and the value attributed to monitoring, custodial and any other services provided, the "wrap fee" would exceed the aggregate cost of such services if they were separately provided and KING were free to choose broker-dealers to execute portfolio transactions.

See the following categories for additional information about "Brokerage": *Soft Dollar Arrangements, Multiple Asset Class Investment Strategies, Frequency of Reports to Clients, Personal Trades, Brokerage Practices, Compensation to Brokers or Others for Referrals, Custody, and Investment Discretion.*

Financial Planning and Multiple Asset Class Investment Strategies

KING provides financial planning services, which include retirement planning and analysis, investment management, and education planning, executive compensation analysis, and other specialty services. A fee of no more than $500 per hour plus expenses will be charged for services with total fees depending on the scope and complexity of planning required. For a financial plan, the minimum fee is $2,000. Depending on the complexity of a client's situation, planning fees may exceed $2,000. Clients will be advised of the additional costs after evaluation of the scope of services.

Clients paying the minimum annual fee described below are entitled to receive financial planning and investment advisory (discretionary) services in the recommendation, building and on-going monitoring of a portfolio composed of no-load or load-waived mutual funds and/or other investment products. Under a full-management (discretionary) agreement, KING is granted authority to execute transactions on the client's behalf in accordance with the client's asset allocation guidelines. Under the advisory account

agreement (non-discretionary) recommendations are made to the client by letter or telephone, with action taken only after the client's approval. With either account, the client will receive documentation of transactions. Quarterly, the client will receive a written analysis of the portfolio status. Either party may terminate the contract between KING and a client at any time, via a written notice of such termination.

If asset mix, client service, report requirements, or other circumstances warrant, fees may be negotiable. Certain clients may pay less than the minimum annual fee and receive a different level of service and/or reporting, as mutually agreed upon. On termination of the contract prepaid unearned fees are refundable, less reasonable charges for services and administration. The maximum scheduled annual rates are as follows:

Financial Planning and Multiple Asset Class Investment Strategies Fees

First $500,000……...1.50%
Next $500,000 to $1,000,000…… ……1.25%
Next $1,000,000 and above……...1.00%

Minimum Annual Fee: $2,000.00

All fees are payable quarterly, in advance.

KING bases the fee on the market value of clients' assets as calculated on KING's internal portfolio accounting system. Fees are only invoiced after a client's account has been reconciled to the client's custodial statements. Even when reconciled, there may be differences between the account values calculated by KING's portfolio accounting system and the custodial statements. Such differences can be due to (a) the timing of transactions and income items over the end of a reporting period, and (b) individual security pricing differences.

If a financial plan and asset allocation recommends an investment in mid- and small-cap stocks, we may purchase the Fountainhead Special Value Fund ("the Fund"), a no-load mutual fund managed by King Investment Advisors, Inc., or other KING investment products. Clients have the option to not utilize the Fountainhead Special Value Fund or other investment products managed by KING. In such cases, alternatives to KING products will be recommended. If KING purchases shares of the Fund for a client, there is no additional management fee charged on those assets. Alternatively, we may invest a client's assets directly in a KING-managed portfolio or indirectly through a managed-account platform. In such cases, based on the market value of the assets placed in these KING-managed holdings, we may discount the investment advisory and financial planning fees.

The fee does not include the fees and expenses associated with mutual funds or other investments. KING will only purchase "no-load" or "load-waived" funds, meaning the client will pay no front end or deferred sales charge or a 12b-1 fee greater than 0.25% of assets annually.

KING, as a firm, is not actively engaged in the business as an insurance broker or agent. KING has not and will not participate in any commissions earned through the sale of insurance policies.

Even so, one KING professional, Jon Speight is a licensed insurance agent. Mr. Speight has a Texas Department of Insurance License, which includes life, disability, health, and HMO contracts. Since his employment with KING, he has provided life and long-term care insurance policies to his family members only.

During the course of a financial planning engagement, Mr. Speight may find that a client's insurance coverage is insufficient. If the client agrees that more coverage is needed or is independently requested by the client, and deemed in their best interest, he may research and recommend suitable options for the client. Should such a client purchase a policy from an insurer that licenses Mr. Speight, he could receive a commission from the insurer. This could present a conflict of interest by giving Mr. Speight an incentive to recommend certain insurance products based on the compensation received. During the discussion prior to purchase, Mr. Speight explains this conflict of interest to the client. The client is informed that there is no obligation to buy the product from Mr. Speight and that the policy is available through other

third parties.

Clients have the option to purchase investment products that KING recommends through other brokers or agents that are not affiliated with KING.

Mutual Funds

In December 1996, KING became the investment adviser to the Fountainhead Special Value Fund ("the Fund"). The Fund is a no-load equity fund that invests primarily in small- and medium-size companies with market capitalizations ranging from $250 million to $8.5 billion at the time of their purchase. The fees have been waived down to a total of 1.75%. If the Fund should be sold within six months of purchase, we collect a 1% fee from the client. Assets are custodied at Union Bank, N.A. The Fund is being distributed by Foreside Fund Services, LLC, a registered broker-dealer firm in Portland, Maine. (Note: This information is not to be construed as an offer to sell securities. Please refer to the Fund's prospectus for complete disclosures.)

Concentrated Portfolio Management

INVESTMENT ADVISORY FEE SCHEDULE FOR OPTION PORTFOLIOS

Advisor's fee includes all fees charged by any Sub-Advisor engaged by Advisor to manage Client's options account. The fee does not include brokerage commissions, taxes, borrowing costs, interest or custodial fees incurred by Client. Money market funds in which Client's assets may be invested charge their own management fees and other expenses as set forth in the fund's prospectus. Advisor will, on occasion, negotiate different fees based upon an individual Client's account requirements. The fee schedule is subject to change by Advisor upon at least 30 days' prior written notice to Client, provided that Client shall have the right to terminate the Agreement prior to any fee increase taking effect.

Management Fee: Management Fee shall be paid quarterly in advance, on the first business day of the month for the succeeding calendar quarter, for the term of the Option Agreement. Fee will be pro-rated with respect to new accounts opened during a quarter. The fee will be based on the market value of the underlying concentrated stock position on the first business day of the period for which such fee is paid, in accordance with the following schedule:

■ **THE ASSET-BASED FEE SCHEDULE IS DETAILED BELOW.**

Management Fee = Market Value of the Concentrated Stock Position X 1.50% Annual Percentage Rate

Minimum Annual Management Fee: $7,500.00

■ **THE PERFORMANCE-BASED FEE SCHEDULE.**

Performance fee schedules are negotiated in advance on an individual client basis.

Minimum Annual Management Fee: $5,000.00

See "Performance-Based Fees and Side-by Side Management," Item 6 of this disclosure brochure.

Corporate Retirement Planning

KING provides one or more of the following services for corporate retirement plans: (1) create an Investment Policy statement to document the plan goals, investment selection process, ongoing monitoring, and employee communication; (2) Ensure that investment options are chosen based on strict due diligence, not revenue sharing to a third party and his or her firm; (3) Design a plan consistent with its objectives in implementing appropriate investment strategies (asset allocation); (4) Offer guidance on company stock as a plan option; (5) Act as the prudent advisor to the plan committee; (6) Assist the plan

sponsor to avoid conflicts of interest; (7) Ensure that plan expenses are fair and reasonable.

King Investment Advisors provides both discretionary and nondiscretionary investment and consulting services to businesses for corporate retirement plans. KING acts as a third party independent advisor over existing relationships with current plan providers, or may recommend the replacement of existing providers. KING does not act as the plan provider, but can identify firms that offer such services without the conflict of interest of revenue sharing.

KING typically receives payment for services by either: an hourly rate, an agreed flat fee, or a fee based on the value of assets in the retirement plan. The choice of payment usually depends on the scope of services provided.

Individual Consultation

KING will consult with individuals or institutional clients on a single-project basis to advise them regarding general economic and investment matters or specific investment programs. Fees for such services are on an hourly basis, currently at a rate of no more than $500 per hour plus expenses.

Item 6

Performance-Based Fees & Side-by-Side Management

Performance Fees

Clients who qualify under Federal Securities law may elect to be charged a performance fee. Such clients include:

1) Qualified Clients: KING may have a performance fee arrangement with (a) a natural person or company with at least $1,000,000 under management with KING; or (b) a natural person or company KING believes has a net worth of more than $2 million excluding primary residence and debt securing property; or
2) Non-U.S. Residents

These fees may be an incentive for KING to make riskier or more speculative investments than would be the case absent a performance fee. KING may receive increased compensation based on unrealized appreciation in addition to realized gains in the client's account. This potential conflict of interest is discussed with the client in advance and mitigated by controls in KING's Code of Conduct Policy.

Side-by-Side Management

If a qualified client (as described above) desires a performance fee for the management of other portfolio strategies, we will consider and perhaps accommodate the request. It is possible that KING may earn a performance management fee for one client's account while earning the standard fee for other clients' accounts in the same investment strategy. Therefore, there is the potential for a conflict of interest since KING could show preferential treatment to such performance-fee clients. No preferential treatment is given to performance fee accounts over standard fee accounts. KING attempts to minimize the potential for any conflict of interest in the firm's Code of Conduct Policy. See "Code of Conduct," Item 11 of this disclosure brochure for additional information.

Item 7

Types of Clients

KING Clients Include:

- High Net Worth Individuals and Families
- Pension and profit sharing plans
- Banks or thrift institutions
- Mutual Funds
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above

Minimum account sizes for clients are discussed in “Fees and Compensation,” Item 5 of this disclosure brochure.

KING has implemented a Customer Identification Program to comply with The Patriot Act, which, among other things, imposes significant anti-money laundering and anti-terrorist regulations on financial institutions. Therefore, KING makes every effort to know its clients; it affirms identity of its clients on an exception basis, and verifies this information on a risk-based need. For individually managed accounts, KING requires a name, date of birth, physical address, principal place of business (if applicable), and social security number or tax identification number in order to process new accounts.

Item 8

Methods of Analysis, Investment Strategies, and Risk of Loss

Separately Managed Accounts

Investment Philosophy and Methods of Analysis

King Investment Advisors' (KING) believes inefficiencies exist in the equity markets and investment opportunities can be identified through an active money management approach. Short-term movements in the market are often dictated by emotions and sentiment, however, over the long term, prices are dictated by fundamentals. This investment philosophy, which has been paramount to building and preserving client wealth since the inception of the firm, is implemented through a unique investment style called the Business Valuation Approach.

The Business Valuation Approach seeks to identify attractive investment opportunities using a broad definition of value, uncovering securities often overlooked by other investors. A bottom-up stock-picker, KING refers to its management style as "value with a growth overlay." This approach allows KING to find values in the market at different points in the economic cycle.

Specifically, the Business Valuation Approach seeks to identify stocks that meet one or more of the following criteria:

- Stocks trading at a sharp discount to private-market value: KING evaluates what a strategic investor or majority shareholder would pay for the entire company.
- Stocks trading at the lower end of fundamental benchmarks: KING reviews financial ratios, including price/earnings, price/cash flow, price/book value, and price/sales. Stocks trading at or below the lower end of their historical valuation range are candidates for possible purchase.
- Stocks trading at a reduced price relative to growth rate: KING looks for companies with a P/E below its 5-year projected earnings growth rate.

In addition to fundamental undervaluation, KING looks for stocks that have a potential catalyst to unleash value. This could include companies with a clear commitment to enhancing shareholder value, companies undergoing restructurings, asset sales or stock buybacks, or companies that are potential acquisition targets and/or are in consolidating industries.

For balanced accounts, KING believes that asset allocation should be driven by the investment objectives of the client, not by tactical allocation based on projected asset returns. It is important to accurately determine the appropriate asset mix to ensure that the client's needs are met, especially with regard to income generation and minimizing portfolio volatility.

Additionally, KING has always been a research-oriented and portfolio-management driven investment firm. Following a multi-cap process, there has been extensive experience researching companies across

all market capitalizations. This affords clients with many investment opportunities as KING screens from a large and diverse universe. This has also allowed for a seamless transition into additional strategy offerings. Among the various investment styles available and pertinent to this mandate are: Multi-Cap Equity, Large-Cap Equity, Mid-Cap Equity, Mid- to Small-Cap Equity, Small-Cap Equity, and Balanced portfolios.

Material Risks

Investing in securities involves risk of loss that clients should be prepared to bear. For KING's investment strategies, the risks most prevalent include:

- Equity Risk: The risk that stock prices will go down or that implied volatility will go up.
- Interest Rate Risk: The risk that interest rates will rise and cause losses in fixed income securities.
- Currency Risks: The risk that foreign currency rates will indirectly affect the price of a security.
- Liquidity Risks: The risk that a given security cannot be traded quickly enough to prevent a loss or make the targeted profit.
- Leverage Risk: KING does not recommend that clients leverage their portfolios. Even so, under a client's specific direction, KING may allow a client to use a margin loan in their portfolios. In such cases, this added leverage heightens the risk factors described above.

Some clients may invest in the Fountainhead Special Value Fund. Such clients should review the Fund's prospectus, shareholder reports, and Statement of Additional Information (SAI).

Illiquid and Restricted Securities

In selected client accounts, and in accordance with these clients' investment objectives and risk preferences, KING may purchase private placements or other illiquid securities. Such securities would include Rule 144A Private Placements, traditional private placements, illiquid real estate securities, and illiquid foreign securities. Two risks associated with investing in these securities is establishing a fair market valuation and liquidating the security on a timely basis.

In terms of fair valuation, KING has established a "Securities Fair Valuation Policy," which sets out the procedures followed in order to set fair and accurate value for these illiquid securities. KING will provide a copy of the Securities Fair Valuation Policy to a client upon request.

There are possibly periods of time in which one cannot trade these illiquid securities. If a client needs to raise cash during such a lockup period, KING will sell other more liquid securities in the account. In the event a client decides to fully liquidate a portfolio, a security subject to a lock-up period will have to be held by the client until the lockup period expires.

Separately Managed Portfolio Strategies

Multi-Cap Equity

Based on KING's Business Valuation Approach the strategy offers a flexible approach to investing as it seeks opportunities across all market caps. The strategy has consistently invested in companies across the market caps (large, mid, small). Weightings are subject to change depending on macro economic and market conditions or when more attractive buy opportunities occur.

Large-Cap Equity
The Large-Cap Equity portfolio includes stocks of companies with a market cap over $5 billion (at cost).

Mid-Cap Equity
The Mid-Cap portfolio includes stocks of companies with a market cap of $700 million to $8 billion (at cost).

Mid- to Small-Cap Equity

Mid- to Small-Cap (Smid-Cap) portfolio includes stocks of companies with a market cap of up to $8 billion (at cost).

Small-Cap Equity

The Small-Cap Equity portfolio includes stocks of companies with a market cap up to $2 billion (at cost).

Equity Income and Appreciation

Seeks capital appreciation using a total return approach combining income from dividends with growth through capital gains. In addition to equities, including Master Limited Partnerships ("MLPs") in taxable accounts, portfolio holdings may include, but are not limited to, convertible bonds and fixed income instruments on an opportunistic basis. Though fixed income investments may be included, this portfolio should certainly not be viewed as a bond portfolio—buy decisions will consider capital appreciation as well as yield.

Income Opportunities

The Income Opportunities portfolio places more emphasis on generating income than capital growth when compared with the Equity Income and Appreciation strategy. Investment instruments may include: High Dividend Stocks, Closed-End Mutual Funds, Convertibles, Preferred Stocks, REITs (Real Estate Investment Trusts), Floating Rate Funds, ETFs (Exchange Traded Funds), MLPs (Master Limited Partnerships), and High-Yield Bonds.

Fixed Income

We manage our fixed income assets by employing the same philosophy and goals used in our equity management. Combining our clients' investment objectives and constraints with our economic and interest rate outlook, first we develop a proposed portfolio structure. We purchase fixed income instruments, evaluating each security by its credit quality, liquidity, and total return potential. The types of instruments selected are as varied as our clients' objectives; they may include Treasuries, Agencies, Yankees, high-grade municipals, investment-grade corporates, high-yield corporates, convertibles, and preferred stocks.

Balanced Portfolios

The investment strategy seeks long-term capital appreciation through equity investments. Fixed income instruments are used to provide income and reduce volatility. Balanced portfolios are available across all strategies except mid-, mid- to small-, and small-cap. KING believes that asset allocation should be driven by the investment objectives of the client, not by tactical allocation based on projected asset returns. Therefore, asset allocation is determined at the start of the relationship and monitored throughout. KING's clients' asset-allocation decisions range from 50% equity/50% fixed income to 85% equity/15% fixed income. If a client gives no asset allocation direction, KING's allocation model is 70% equity/30% fixed income.

Socially Responsible Investing

The Socially Responsible Equity strategy seeks long-term capital appreciation through equity investments in small-cap, mid-cap and large-cap companies while integrating the client's personal values and related concerns about society with investment decisions.

Referred to as Defined Values Investing ("DVI"), KING's Socially Responsible Equity strategy recognizes that every investment transaction has social implications as well as financial ones. While traditional

investing is aimed exclusively at maximizing financial value, Defined Values Investing takes into account both the financial and social bottom lines.

The Socially Responsible Equity Portfolio includes restrictions based on socially responsible criteria as defined by the client. Such restrictions cover a large breadth of issues based on client preferences but commonly include one or more of the following (1) no SIN stocks (alcohol, tobacco, and pornography); (2) no environmental polluters; (3) no companies making abortion-related products; (4) no defense-related stocks; or (5) no companies involved with animal testing.

Financial Planning and Multiple Asset Class Investment Strategies

Financial Planning

The Financial Planning investment process is client-focused, strategic, disciplined, diligent, and above all—objective.

We begin by listening. The more we know about our clients, the better we are able to advise them. We ask a series of questions to learn about personal and family circumstances, cash flow needs, long-term objectives, and wealth transfer and charitable intentions. We will discuss risk tolerance, income tax issues, and personal preferences and biases.

Recommendation of the appropriate services required will be made based on the client's personal financial goals. For certain clients, only a financial plan is desired; while other clients want to take advantage of our full services by combining investment allocation with the development of a financial plan.

We create a comprehensive written plan that is tailored to the client's unique goals and contains actionable information and recommendations to help you get where you want to go. A plan serves several purposes: it builds the client's confidence in his ability to be prepared for what is ahead and allows the client to track progress toward his goals, making adjustments to the plan along the way. Through ongoing monitoring we work to achieve each client's long-term objectives. KING's services include:

Retirement Plan Analysis
Portfolio Review and Asset Allocation Recommendation
College Education Planning Analysis
Lump Sum Distribution and Stock Option Analysis
Statement of Net Worth and Current Cash Flow
Life and Disability Insurance Analysis
Estate and Trust Analysis
Investment Management

We believe the creation of an asset allocation requires both art and science. Allocations are ultimately determined by our beliefs regarding each asset class and our knowledge of the client's circumstances. As a result, allocations are more appropriate and reflective of a client's desired risk and return parameters rather than strictly following a "black box" approach.

Once the asset allocation is determined, an Investment Proposal (IP) is drafted to document the plan for the portfolio. The IP is tailored to our clients' unique needs and circumstances. It addresses cash flow needs and expectations, risk tolerance, time horizon, income tax issues, and asset allocation. The IP is the "blueprint" used to show how the client portfolio will be constructed.

Multiple Asset Class Investment Strategies

KING's multiple asset class investment strategies are implemented after understanding each client's unique financial goals, risk tolerances, and return expectations. Our unbiased security selection process helps us uncover attractive investments to diversify client portfolios. Portfolio management decisions are driven by changes in the client's financial situation, market conditions, and valuations. In addition to periodic client reviews, detailed quarterly performance reports update clients on the progress of their portfolios.

Depending on a client's investment objectives, risk tolerance, and financial profile, KING may construct portfolios consisting of multiple asset classes. Such asset classes include U.S. and international stocks, bonds, real estate, natural resources, and other alternative investments. Combining these selected investments into a customized asset allocation portfolio is an important step in minimizing risk while maximizing return.

The vehicles used are:

- Mutual Funds
- ETFs
- Structured Notes
- Master Limited Partnerships

As an independent, full-service firm, we have access to unlimited investment products through several discount brokerage trading platforms. Through this partnership, we apply our expertise to construct low-cost, well-diversified portfolios, using highly successful investment fund managers—maximizing the probability of achieving your financial goals. Third-party managers are selected for the IP based on a rigorous due diligence process. We receive no compensation from those whom we select, eliminating any conflict of interest.

Through the entire process, the client's taxable or tax-exempt status, the need for liquidity, the time horizon, and the defined risk level determine the portfolio parameters.

The risks in these areas are the same as for our Separately Managed Portfolios. See "Material Risks" previously mentioned in this Item.

Concentrated Portfolio Management

Many investors may accumulate an overweighting in one specific security due to option conversion, restricted stock units, inheritance, personal investment, etc. Often either due to an affinity for the company, sense of vested interest in its success, or for tax considerations, the investor does not want to sell the stock or diversify. Steps can be taken to limit risk and increase returns while potentially maintaining the position.

KING offers two option strategies to clients owning large concentrated positions:

- Covered Call – yield enhancement strategy
- Collar – low or no cost protection for underlying equity position

Options strategies are managed by McElhenny Sheffield Capital Management, LLC (MSCM), sub-advisor for King Investment Advisors, Inc. (KING). Founded in 2000, MSCM is a Registered Investment Advisor with the Texas State Securities Board.

This strategy is designed for sophisticated investors who understand the corresponding risks associated with investing in options. It is also understood by KING that the Client has personal experience with the benefits, risks, use, and trading of options and is in a position to judge the benefits and risks of option strategies. KING (or its Sub-Advisor) assumes no liability for the tax consequences for taxable events resulting from the strategies. We coordinate our services with those of your tax, legal, and other advisors, however, neither KING nor its sub-advisor offer legal or tax advice.

The risks associated with Concentrated Position Portfolios are discussed below.

Maintaining a large concentrated position in a common stock, even a very high quality company, is a high-risk strategy, and only the most sophisticated and knowledgeable investors should consider doing so. Company-specific factors, industry factors, or general market factors, seen or unforeseen, can have a negative impact on investments in common stocks. A concentrated position in one stock puts an investor at higher risk of substantial and/or complete loss. KING (or its Sub-Advisor) offers no assessments,

claims, opinions, representations, or warranties, with respect to the merits of the underlying stock in which the concentrated position is held.

KING, through its Sub-Advisor, may be required to buy to close a current in-the-money call position on the underlying common stock. This may occur when a covered call position is in-the-money, the stock's dividend is deemed sufficiently attractive by option market participants, and the ex-dividend date of the stock is one or two days away. There is no hard and fast rule to know whether the stock's dividend yield is deemed sufficiently attractive relative to the remaining time value of the call option. In this event, the assigned shares of the stock are *automatically sold* and such shares delivered to the owner of the call options exercised. This produces a sale of the underlying shares and is for tax purposes, a taxable event, subject to capital gain (loss) tax rules.

In the event a takeover, merger, or recapitalization of the underlying company is contemplated, announced, or instituted, the shares of the company would be expected to rise subsequent to this significant news announcement. At this point, it is possible, although not likely, that call options could be exercised immediately, and the underlying shares sold. However, it is more likely that KING, through its Sub-Advisor, would have time to determine the best course of action for the Client regarding any significant corporate event. Generally, it is expected that any announcements of this magnitude would cause the underlying shares to rise, probably producing a loss on any covered calls repurchased to close out the position. However, the loss on the closed options would typically be offset (largely, if not completely) by a gain in the underlying security.

Model Portfolio Consulting Services

KING may provide model portfolio services to other registered investment advisors ("RIAs") for investment advisory services for their clients. Client RIA firms typically place trades in their respective clients' accounts, thus KING's advisory relationship is strictly of a consultative nature, and does not have discretionary authority over any RIA client's account.

The risks in these areas are the same as for our Separately Managed Portfolios. See "Material Risks" previously mentioned in this Item.

Corporate Retirement Planning

Investment Policy Statement
Investment Recommendations and Monitoring
Plan Committee Advisor

KING's experienced professionals will evaluate your current plan and provide recommendations to refine the plan. We may also design and implement appropriate investment strategies consistent with the plan objectives, write an Investment Policy Statement to document the plan goals and investment selection process, as well as provide ongoing monitoring and employee communication. In the role as a third party, independent investment advisor, KING serves as the "prudent expert" to the plan committee, avoiding potential conflicts of interest associated with plan providers recommending their own funds. Since KING serves solely as the investment advisor, we either work with the existing plan provider(s) or make recommendations for third party administration and custody services.

Additional Services

Portfolio and Investment Profiles
Quarterly Investment Newsletters
Quarterly Portfolio Reporting
Annual Tax Capital Gain/Loss Reporting

Wrap Fee Programs

KING participates in wrap fee programs. A "wrap fee program" is a program under which investment advisory and brokerage execution services are provided for a single "wrapped" fee that is not based on the transactions in a client's account. An investment advisory program under which all clients pay traditional, transaction-based commissions is not a wrap fee program. Similarly, a program under which

client assets are allocated among mutual funds is not a wrap fee program because normally there is no payment for brokerage execution.

Currently KING manages Multi-Cap Equity, Large-Cap Equity, Mid-Cap Equity, Small-Cap Equity, Balanced, and Income Opportunities portfolios in wrap fee programs. We manage the wrap fee portfolio strategies in much the same manner as we do the separately managed portfolios. Even so, differences include:

- KING's client is the wrap program sponsor, not the individual investor.
- KING's personnel do not ordinarily interface directly with the individual investor.
- Wrap program portfolios are not traded on KING's portfolio management system, therefore, KING depends on the wrap sponsor to generate the fee calculations.
- Depending on the flexibility of the wrap sponsor's portfolio management system, KING may not be able to customize the portfolios to the same extent as those that are separately managed. This may hinder us in our pursuit of tax-efficient or Socially Responsible investing.

The risks in these areas are the same as for our Separately Managed Portfolios. See "Material Risks" previously mentioned in this section.

Item 9

Disciplinary Information

There have been no material disciplinary actions against King Investment Advisors or its personnel.

KING

Item 10

Other Financial Industry Activities and Affiliations

Other Financial Industry Activities: Adviser to Investment Company

As of July 29, 2011, KING became the sub-adviser to the Dreyfus Select Manager Small Cap Growth Fund ("DSGIX"). The fund seeks capital appreciation and normally invests at least 80% of its net assets in the stocks of small-cap companies. The fund currently considers small-cap companies to be those companies with market capitalizations that fall within the range of companies in the Russell 2000 Growth Index at the time of purchase. Class A shares carry a sales charge ("load"), however Class C and Class I shares do not. Assets are custodied by BNY Mellon, which is the corporate brand of The Bank of New York Mellon Corporation. MBSC Securities Corporation (MBSC), a wholly owned subsidiary of Dreyfus, serves as distributor of the fund.

As of December 1996, KING became the investment adviser to the Fountainhead Special Value Fund ("The Fund"). The Fund is a no-load equity fund that invests primarily in small- and medium-size companies with market capitalizations ranging from $250 million to $8.5 billion at the time of their purchase. Assets are custodied at Union Bank, N.A. Administration, accounting, and Atlantic Fund Administration, in Portland, Maine, provides transfer agency services. The Fund's distributor is Forum Fund Services, LLC, a registered broker-dealer firm in Portland, Maine. KING's employees and associated accounts own shares of the Fund.

If a financial plan and asset allocation recommends an investment in mid- and small-cap stocks, we may purchase the Fountainhead Special Value Fund ("the Fund"), a no-load mutual fund managed by King Investment Advisors, Inc., or other KING investment products. Clients have the option to not utilize the Fountainhead Special Value Fund or other investment products managed by KING. In such cases, alternatives to KING products will be recommended. If KING purchases shares of the Fund for a client, there is no additional management fee charged on those assets. Alternatively, we may invest a client's assets directly in a KING-managed portfolio or indirectly through a managed-account platform. In such cases, based on the market value of the assets placed in these KING-managed holdings, we may discount the investment advisory and financial planning fees.

The fee does not include the fees and expenses associated with mutual funds or other investments. KING will only purchase "no-load" or "load-waived" funds, meaning the client will pay no front end or deferred sales charge or a 12b-1 fee greater than 0.25% of assets annually.

Sub-Advisor Relationship

Options strategies are managed by McElhenny Sheffield Capital Management, LLC (MSCM), sub-advisor for King Investment Advisors, Inc. (KING). Founded in 2000, MSCM is a Registered Investment Advisor with the Texas State Securities Board. KING has a revenue sharing arrangement with MSCM.

1980 Post Oak Boulevard, Suite 2400 Houston, Texas 77056-3898 | 713.961.0462 | www.kingadvisors.com

Item 11

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

King Investment Advisors, Inc. and its employees are subject to a number of federal securities laws. Most of the laws with which employees must comply are found in the Investment Adviser's Act of 1940, the Investment Act of 1940 (regulates mutual funds), the Securities Exchange Act of 1934, and the Employee Retirement Income Security Act of 1974 ("ERISA"). KING and its employees must also comply with other applicable federal securities laws, as well as any securities laws in states in which it is registered.

Non-Exclusivity: It is understood that KING performs investment advisory services for various other clients. Each client agrees that KING may advise and act with respect to any of its other clients, which may differ from advice or the timing or nature of action with respect to the portfolio. It is understood that KING has no obligation to buy or sell, or to recommend for purchase or sale, for the portfolio, any security which KING, its principals, its affiliates, or its employees may buy or sell for its or their own accounts or for the account of any other client.

To ensure that all of the above requirements are being met, KING maintains a Code of Conduct and Compliance Policies Manual, which outlines and describes the policies and procedures required of each employee and of the Firm. This Code is available to clients and prospective clients upon request.

Review of Accounts

See "Review of Accounts," Item 13 of this disclosure brochure for additional information.

Frequency of Reports to Clients

Each client outside the wrap programs receives quarterly appraisals from KING or an agreed-on third party and, if desired, confirmations of all security transactions. The written appraisal typically consists of a letter that reviews the progress of the investment portfolio and developments in the capital markets. The report also includes a listing of all securities, their cost, and current value. Clients also receive a copy of our quarterly newsletter titled *DecisionMaker.*

For clients outside of the wrap programs, consultations are scheduled as needed. Depending on the size of the account and the location of the client, quarterly meetings may be held. The portfolio managers are available by phone to answer questions about the account.

The monthly statements generated by the bank or the brokerage custodian provide important information to clients. We encourage our clients to compare the account statements they receive from their qualified custodian with the account statements they receive from King Investment Advisors.

"Wrap" clients receive reports from brokerage firms, which may be supplemented by quarterly newsletters

such as KING's *DecisionMaker*. The brokerage firm provides periodic consultations to "wrap" clients as well as supplemental information letters from KING. KING is available to wrap clients for telephonic conference and visitation as warranted to supplemental brokerage firm consultations. In addition, all wrap clients are annually offered a Form ADV, Part 2.

Employee Participation or Interest in Client Transactions

There are two ways in which employees participate in the purchase and sale of the same securities as those purchased for clients: (1) personal trades and (2) proprietary trades.

Personal Trades

Access personnel are subject to a trade day ban that prohibits trading the same day and in the same securities as our clients, with a few limited exceptions. Investment personnel are subject to blackout periods in which they cannot purchase or sell a security KING is trading for its clients, either two days before or after the clients' trade date. Exceptions to the blackout period must be approved by the firm's Chief Compliance Officer ("CCO") and include (a) a *de minimis* exemption for small trades, and (b) trading in the same direction as our clients after the trade date. All access personnel are required to submit monthly personal securities transaction reports and brokerage statements to KING. The CCO or his representative reviews both submissions for potential deviations from KING's Code of Conduct policy. Should an access person violate the policy, that access person is subject to a range of disciplinary actions, including dismissal from the firm.

KING's access personnel are not allowed to participate in oversubscribed Initial Public Offerings ("Hot IPOs"). Further, KING's access personnel are allowed to participate in IPOs and private placements only if the IPOs and private placements are not oversubscribed and if the access person has prior permission from the firm's Chief Compliance Officer.

Associated and Proprietary Accounts Trades

Associated and proprietary accounts are those investment vehicles that primarily benefit the firm and its employees. They include any multiple asset class vehicle that is 30% or more beneficially owned by the firm, its directors, or its employees. Such accounts currently in use or used in KING's past include: KING Profit Sharing Plan, KING Corporate Investment Account, the Fountainhead Special Value Fund ("the Fund"), and seed accounts funded with the firm's assets, which are used to establish a performance track record for a new investment strategy.

The majority of the Fountainhead Special Value Fund shareholders are not associated with KING. As a result, KING considers the Fund to be a client of the firm and subject to KING's Best Execution and Trading Policy.

The firm considers the KING Profit Sharing Plan, KING Corporate Investment Account, and seed accounts to be the equivalent of the firm's Investment Personnel and subject to the firm's personal trading policies discussed above.

Class Action Claims

King Investment Advisors ("KING") does not believe it is in the best interest of our clients for KING to approve and process their security class action claims. In almost all class action lawsuits the firm reviews, our clients must give up their rights to pursue legal actions outside of the class action lawsuits in order to become a member of the class of plaintiffs. KING is often not in a position to understand each of its clients' legal backgrounds or interests to make this decision to give up this important legal right. As a result, it is KING's corporate policy to not process security class action claims.

Even so, KING may make an exception to this policy at a clients' request. The clients' portfolio manager may make the decision to allow such an exception and permit the processing of class action claims. In such cases, KING will file claims for which estimated payments are over $200.

Item 12

Brokerage Practices

Research and Other Soft Dollar Benefits

KING enters into "soft dollar arrangements" whereby the firm directs transactions (commissions) to a broker in exchange for the broker providing research services to KING. Soft dollar arrangements include proprietary arrangements in which KING receives research from the "in-house" staff of a brokerage firm in exchange for transactions. We also enter into third-party research arrangements in which we receive research generated by the entity other than the executing broker in exchange for transactions. Since our clients are paying the commissions generated by those transactions, it is the client's money rather than KING's funds that are used to obtain and pay for these services. The research received under such arrangements may be used to benefit clients other than those clients whose trading generated the soft dollar commissions.

Soft dollar arrangements are a common practice in the Investment Advisory industry. The U.S. Congress created a "safe harbor" under Section 28(e) of the Securities and Exchange Act of 1934, which establishes strict standards by which soft dollar arrangements are allowed. Under this safe harbor, an advisor can consider the provision of research, as well as execution services, in evaluating the cost of brokerage services without violating its fiduciary responsibilities. KING follows the standard required by Section 28(e) in arranging and executing its soft dollar arrangements.

In terms of proprietary research, KING has a soft dollar arrangement with a large number of Wall Street and major regional broker-dealers in the U.S. The research provided by these firms is an important source of information used to execute the securities purchased, held, or sold at the firm. Since soft dollars are the only method available to pay for proprietary services, KING relies heavily on these soft dollar arrangements to provide timely and critical research.

KING also directs client commissions to several unaffiliated brokerage firms in exchange for third-party research services. The services are: Telemet Orion System equipment and market quotation services, ASE quotation services, NASDAQ quotation services, and other miscellaneous securities quotation services, as well as Bloomberg L.P. Various investment research publications are also paid through the soft dollar arrangement including the Contrarian Research Report, Laffer Associates Research, and R.W. Mansfield research. In some cases where part of a service aids KING's administrative efforts, as well as its research needs, KING will pay cash for the non-research portion of the service.

Additional information and details concerning KING's use of soft dollar arrangements are available upon request.

Directed Brokerage

KING has accounts with a number of clients who have pre-existing relationships with various broker-dealer firms. Typically, the assets of these clients are custodied at the broker-dealer firm and the client has an understanding of the existing commission schedule. In situations where a client designates the use of a particular broker-dealer firm ("directed-brokerage"), the commissions generated by the account are an indirect form of compensation to the broker who refers the client to KING. Several caveats exist in such directed brokerage situations: (1) KING's ability to negotiate commission rates may be inhibited; (2) such accounts may not benefit from the lower transaction costs associated with the bunching of individual orders into block trades and the subsequent allocations of such trades to the respective clients; (3) if the specific broker-dealer does not participate in the selling group when a new issue becomes available to

KING's clients, the client's account may not participate in the offering. In addition, a client who designates the use of a particular broker-dealer, including a client who directs use of a broker-dealer that will also serve as custodian (whether or not recommended by KING), should consider whether or not commission expenses, execution, clearance and settlement capabilities, and the allocable custodial fee, will be comparable to those that can be independently obtained by KING.

Evaluations of brokerage rates are made to see that the rates are competitive for comparable brokerage services provided by the examining rates charged KING by brokers with whom comparable business is conducted. When consistent with the above objectives, KING may pay a broker a brokerage commission in excess of that which the pure "discount" broker will charge for effecting the same transactions in recognition of the value of (a) brokerage or (b) research services provided by the broker. Also, research services furnished by the brokers through whom KING effects securities transactions may be used in servicing all KING's accounts. The research services received may include value of securities, advisability of securities, analysis or other reports concerning the securities, the industry, economic factors and trends, etc.

KING is often retained under a "wrap fee" arrangement in which a broker-dealer recommends KING, pays it management fees on behalf of the client, executes the client's portfolio transactions without commission charges, monitors KING's performance, and may also act as custodian, or provides some combination of these or other services, all for a single fee. Typically, in a "wrap fee" arrangement, KING will receive a management fee in the range of .50% to 1.0% of assets managed. Since third party wrap accounts are not traded on KING's portfolio management system, fees are as the wrap sponsor dictates. KING depends on the sponsor to generate the fee calculations. In evaluating such a program, a client should understand that KING does not negotiate brokerage commissions. The broker-dealer's portion of the "wrap fee" is generally in lieu of commissions. However, certain broker-dealers have contracts with their clients as well as with KING which do not preclude them from collecting specialized charges to the client's account, such as those resulting from mark-ups or mark-downs in principle transactions. Trades will generally be executed only with the referring broker, to avoid incurring the incremental brokerage costs that would be incurred by use of other brokers. In evaluating a "wrap fee" arrangement, the client should consider whether, depending on the level of the "wrap fee," the amount of portfolio activity, and the value attributed to monitoring, custodial and any other services provided, the "wrap fee" would exceed the aggregate cost of such services if they were separately provided and KING were free to choose broker-dealers to execute portfolio transactions.

Compensation to Brokers or Others for Client Referrals

See "Client Referrals and Other Compensation," Item 14 of this disclosure brochure for additional information.

TD Ameritrade Investor Services, Inc. AdvisorDirect Referral Program

KING participates in the TD Ameritrade Institutional program for advisors. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC/NFA. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer.

TD Ameritrade offers to independently registered investment advisors services, which include custody of securities, trade execution, and clearance and settlement of transactions. KING receives some benefits from TD Ameritrade through its participation in the program. (Please see the disclosure under Item 14, "Client Referrals and Other Compensation.")

KING may recommend TD Ameritrade to clients for custody and brokerage services.

KING and TD Ameritrade are independent of one another and have neither an agency nor employment relationship; TD Ameritrade and the KING are separate and unaffiliated.

As disclosed above, Adviser participates in TD Ameritrade's institutional customer program and Adviser may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Adviser's participation in the program and the investment advice it gives to its Clients, although

Adviser receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors.

KING receives economic benefits through its participation in the program, which may include one or more of the following products and services (provided without cost or at a discount):

- receipt of duplicate client statements and confirmations;
- research related products and tools;
- consulting services;
- access to a trading desk serving advisor participants;
- access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts);
- the ability to have advisory fees deducted directly from client accounts;
- access to an electronic communications network for client order entry and account information;
- access to mutual funds with no transaction fees and to certain institutional money managers;
- and discounts on compliance, marketing, technology, and practice management products or services provided to KING by third party vendors.

These benefits received by the Firm, or its associated persons, do not depend on the amount of brokerage transactions directed to TD Ameritrade.

TD Ameritrade may also have paid for business consulting and professional services received by KING's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit KING but may not benefit its client accounts. These products and services may assist KING in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help KING manage and further develop its business enterprise. As part of its fiduciary duties to clients, the KING endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by KING or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the KING's choice of TD Ameritrade for custody and brokerage services.

KING may receive client referrals from TD Ameritrade, Inc. ("TD Ameritrade") through its participation in TD Ameritrade AdvisorDirect (the "referral program"). In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, KING may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with KING and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise KING and has no responsibility for KING's management of client portfolios or KING's other advice or services. KING pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to KING ("Solicitation Fee"). KING will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by KING from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired KING on the recommendation of such referred client. KING will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

KING's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, KING may have an incentive to recommend to clients that the assets under management by KING be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, KING has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish

brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. KING's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

KING's participation in the TD Ameritrade program may raise potential conflicts of interest. Even when not required by the broker-dealer, we are still likely to execute transactions on behalf of our clients referred by TD Ameritrade at TD Ameritrade. Nevertheless, KING acknowledges its duty to seek best execution for its clients.

Charles Schwab & Co., Inc.

KING does not maintain custody of your assets that we manage although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see *Item 15 – Custody*). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. Some of our clients choose to use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. If you decide to use Schwab as custodian/broker, you will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Schwab, we may still use other brokers to execute trades for your account as described below (see "*Your Brokerage and Custody Costs*").

How You Select Brokers/Custodians

Choose a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared with other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Availability of investment research and tools that assist in making investment decisions
- Quality of services
- Reputation, financial strength, and stability
- Prior service to us and our other clients

Your Brokerage and Custody Costs

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. This commitment benefits you because the overall commission rates you pay are lower than they would be otherwise. In addition to commissions, Schwab charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer.

Products and Services Available to KING from Schwab

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like KING. They provide us and our clients with access to their institutional brokerage— trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us as long as our clients collectively maintain a total of at least

$10 million of their assets in accounts at Schwab.

Services That Benefit the Client
Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

Services That May Not Directly Benefit the Client
Schwab also makes available to KING other products and services that benefit us but may not directly benefit you or your account. These products and services assist KING in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

Services That Generally Benefit Only KING
Schwab also offers other services intended to help KING manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

Our Interest in Schwab's Services
The availability of these services from Schwab benefits KING because we do not have to produce or purchase them. We do not have to pay for Schwab's services if our clients collectively keep a total of at least $10 million of their assets in accounts at Schwab. KING has more than $10 million in client assets under management custodied at Schwab, and we do not anticipate a change.

For accounts of KING's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from KING's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, KING may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. KING nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for KING's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

Item 13

Review of Accounts

Review of Accounts

The Investment Advisory Group (IAG), as a team, is responsible for setting the firm's investment strategy, evaluating securities being considered for purchase/sale, and risk management for all KING portfolios. The portfolio managers are given the responsibility of determining what is appropriate for the individual portfolios and for ensuring that the transactions are consistent with investment guidelines. The portfolio managers review portfolios on a regular basis, monitoring the holdings, weightings, price target objectives, and any changes that would require action in order to maintain the investment guidelines. Each account is coded for its investment objective so portfolio managers may engage in block transactions when purchasing or selling securities. Application of the firm's computers and software also facilitates account management.

Each business day a report, which shows all the previous day's purchases and sales by a portfolio manager, is distributed to the President, Chief Investment Officer, and Chief Compliance Officer. This procedure helps the three parties identify any possible departure from policy. The firm's portfolio management software allows any member of the investment team to retrieve and review any client's portfolio via desktop computer terminals. The system also allows the account base to be screened by cash position level or security weightings.

Item 14

Client Referrals and Other Compensation

Compensation to Brokers or Others for Client Referrals

KING's overriding objective in effecting portfolio transactions is to seek the best combination of price and execution. KING may select a broker-dealer in recognition of the broker-dealer's past referral of the particular client for whom the transaction is being executed, or of other clients, or in recognition of possible future referrals from that broker. In doing so, except where specifically disclosed to the client, KING does not pay higher commissions than those otherwise obtainable from other broker-dealers. When a broker refers a client to KING, the firm may brokerage business to that broker, usually at rates that KING determines are competitive based on current circumstances and are at a reasonable discount from the former fixed-commission rates. When a client directs, either verbally or in written form, KING to process all or a percentage of trades through a particular broker, KING will use the commission rates independently set by the broker and the client. In such cases, KING will still be responsible for seeking best price execution of the trade. In every instance, any compensation paid will be fully disclosed to the client in accordance with Rule 206(4)-3 under the Investment Advisers Act of 1940.

KING has solicitation agreements with several third-party consultants. If a consultant's referral becomes a client of the firm, the consultant is paid a percentage of KING's investment management fee for a predetermined period of time. In some instances, KING may reimburse these consultants for certain marketing expenses incurred while representing KING.

KING occasionally makes contributions or donations for both charitable and non-charitable events sponsored by clients and/or broker-dealer firms with whom we have relationships and from whom we receive referrals.

Refer to "Brokerage Practices," Item 12 of this disclosure brochure for information regarding forms of compensation related to:

- Research and Other Soft Dollar Benefits
- Directed Brokerage
- KING's participation in the TD Ameritrade AdvisorDirect Referral Program
- KING's client accounts custodied at Charles Schwab & Co., Inc. (Schwab)

Item 15

Custody

Rule 206(4)-2 of the Investment Advisers Act, known as the Custody Rule, regulates the custody practices of registered investment advisers. The Rule requires investment advisers with custody of client securities or funds to implement a set of controls designed to protect client assets from being lost, misused, or misappropriated.

The SEC made amendments to the Rule following the Madoff fraud case. Under the amended rule, advisers that serve as trustees to client accounts and other advisers deemed to have custody of client assets, including advisers with check-writing authority, and advisers who purchase privately offered securities (unless those securities are held in a multiple asset class vehicle) in client accounts, will be required to obtain an annual surprise exam by an independent public accountant to verify client assets. *Advisers that are deemed to have custody of client assets solely because they deduct fees, however, will not be subject to the changes, but are expected to have policies in place to address the risks that they could misappropriate client fees.*

To comply with existing and new rules, KING will do the following for all clients not in wrap programs:

1. Under all circumstances client assets must be placed with a third-party custodian such as a bank or brokerage firm. Additionally, KING adheres to its *Policy and Procedure for Handling and Custodying Important Documents and Client Assets,* which states that a best effort should be made to avoid physically holding certain important documents such as checks and stock certificates in KING's offices.

2. KING's Investment Advisory Agreement states the amount of client fees, and how often the client will be billed. This information must be entered into FIN (the firm's portfolio accounting system), which automatically generates the amount of clients' fees each quarter without manual entry by KING personnel.

3. The amount of assets on which fees are generated and the percentage amount of the fees will be reviewed quarterly during KING's investment report assembly process.

4. A new client's quarterly account statement and invoice are to be reviewed by the portfolio manager before being sent to the client assuring that future fees are calculated properly by the firm's portfolio accounting system.

5. The invoicing process will be performed by an appraisal team of KING employees selected by the office manager. These employees must check the accuracy of the invoices. No other personnel are to be involved in the process.

6. The "Client Accounting" department at KING is required to reconcile FIN reports against the custodians' statements monthly.

7. KING will send "due inquiry" to each custodian of client assets confirming in writing that the custodian has sent account statement to our clients. This process will be conducted through the Client Accounting department and will be recorded and filed.

All clients will receive account statements from the broker-dealer, bank, or other qualified custodian. Clients should carefully review these statements. We urge clients who receive a statement from KING to compare the account statement received from the qualified custodian with the statement received from KING.

Since wrap program accounts are not traded on KING's portfolio management system, fees are as the wrap sponsor dictates. KING depends on them to generate the fee calculations. KING's client is the wrap sponsor.

KING

Item 16

Investment Discretion

Authority for Investment Discretion

The following actions take place before KING can assume the discretionary authority to manage the assets in a client's investment portfolio:

- The client signs KING's Investment Advisory Agreement (IAA) and Letter of Power of Attorney (LPOA). Certain custodians have their own required forms that must be completed before they will accept custody of the portfolio assets. KING assists the client with these required authorization forms.

- The IAA states the investment and allocation strategy that is mutually agreed upon by the client and KING to best suit the client's investment profile.

- KING enters the account data into KING's portfolio management system.

- Once it is determined that all communications between the client, the custodian, and KING are correctly established and functioning, KING begins management of the client portfolio assets.

Best Execution

KING's traders will always attempt to receive best execution for all clients. When determining order of trades, the traders will consider the custodian and broker-dealers' promptness of execution, past history of execution of orders, difficulty of trade and security's trading characteristics, size of the order, broker-dealer's responsiveness, and availability of natural order flow of the security at time of order.

KING will aggregate transactions when it believes that aggregation is consistent with its duty to seek best execution for its clients and is consistent with the terms of the Investment Advisory Agreement with each client for which trades will be aggregated.

KING has many custodians maintaining accounts held in the name of advisory clients, proprietary and associated accounts, and the Fountainhead Special Value Fund ("the Fund"). KING is unable to combine ("block") all transactions of the accounts, although trades of an account will be blocked with trades of the accounts maintained at the same custodian. Average pricing is provided on a custodian-by-custodian basis rather than an average price across all clients.

Orders are given first to those custodians and broker-dealers who can transmit a trade in a timely manner at the best price. Custodians and broker-dealers who are unlikely to execute trades in a timely manner or without disrupting the price will be given last priority. In cases where custodians and broker-dealers have similar execution capability and/or liquidity is easily accessed, KING's traders will employ a rotation policy.

KING's traders document the order of significant buy or sell orders placed as well as the associated execution prices. On a monthly basis, KING's compliance department reviews this order history to determine if any clients or custodians are being favored over another in terms of price execution (before commissions and other transaction costs). If KING's compliance department notes any sustained favoritism to a particular client or broker, KING's CCO and traders will meet to discuss the issue. Should such favoritism be found to be a systemic concern, KING will take action to correct the problem.

Depending on a client's investment restrictions and risk profile, a client may be eligible for limited investment opportunities, including oversubscribed Initial Public Offerings ("Hot IPOs"). In most cases, only clients who do not direct trades to a specific broker-dealer may participate in such offerings.

KING may be restricted either by written or verbal agreement/instructions as to (a) which securities may be bought or sold, and (b) in which recommendations must be reviewed with, and approved by, the client. Also, some clients require that securities transactions be directed to the securities dealers of their choice, thus eliminating discretion on brokerage commissions on such amounts. Thus, commissions in those transactions may be higher than could be obtained from another broker.

Refer to "Brokerage Practices," Item 12 of this disclosure brochure for additional information.

Evaluations of brokerage rates are made to see that the rates are competitive for comparable brokerage services provided by the examining rates charged KING by brokers with whom comparable business is conducted. When consistent with the above objectives, KING may pay a broker a brokerage commission in excess of that which the pure "discount" broker will charge for effecting the same transactions in recognition of the value of (a) brokerage or (b) research services provided by the broker. Also, research services furnished by the brokers through whom KING effects securities transactions may be used in servicing all KING's accounts. The research services received may include value of securities, advisability of securities, analysis or other reports concerning the securities, the industry, economic factors and trends, and so forth.

Refer to "Fees and Compensation" Item 5, and "Methods of Analysis, Investment Strategies, and Risk of Loss," Item 8, for additional information about wrap fee arrangements.

Trading Errors

Trading errors that affect clients' accounts are identified and corrected in an expeditious manner. As a general rule, when an error occurs, KING seeks to place a client's account in the same position as it would have been had there been no error.

While KING strives to minimize trading errors, such errors do occasionally occur. Once a trade error is found, the traders call the party with which the trade was originally placed. The trader will inform them that an error was made. An order is then given to cover the trade in KING's error account and to move the original trade into that account as well. The order is time stamped and the execution price noted just as any other trade would be. KING then requests that the party to verify the execution prices of the original and covering trades and the gain or loss that was created. Each executing broker has a different policy for invoicing errors.

Item 17

Voting Client Securities

Proxy Voting

KING votes and oversees a large volume of proxies; therefore, the firm engages a service provider/voting delegate to assist with administrative functions and the mechanics of voting proxies. The service provider KING engages is ISS Governance Services (ISS).

KING's authority to vote the proxies of our clients is established by our Investment Advisory Agreement (IAA), which states that KING is responsible for voting proxies of all securities held in the client's account. KING will vote proxies in accordance with KING's proxy voting policy unless the client directs KING to do otherwise in writing. If a client wishes to vote his own proxies, and has notified KING of this in writing, KING asks ISS to exclude the client from the ballot.

KING will provide the client with a copy of proxy voting policy and a record of all proxies voted in the client's account during the prior calendar year upon the client's written request, without charge. KING will not provide this record to third parties. This proxy voting record will be obtained through ISS Governance Services.

KING implements policies and procedures that we believe are reasonably designed to ensure that proxies are voted in the best interest of our clients, in accordance with our fiduciary duties and SEC rule 206(4) under the Investment Advisers Act of 1940.

Our proxy voting policies also reflect the fiduciary standards and responsibilities for ERISA accounts as established by the Department of Labor Bulletin 94-2, 29 C.F.R. 2509.94-2. KING's Proxy Voting Policies and Procedures are available upon request.

Item 18

Financial Information

This information is not required for the following reasons:

- KING does not require or solicit prepayment of more than $1,200 in fees per client six months or more in advance
- KING does not have discretionary authority or custody of client funds or securities
- KING has not been the subject of a bankruptcy petition at any time during the past ten years (or since its inception).

KING
King Investment Advisors

Growing Wealth Through Value Investing Since 1981

1980 Post Oak Boulevard, Suite 2400 Houston, Texas 77056-3898 | 713.961.0462 | www.kingadvisors.com