



LUTHER KING CAPITAL MANAGEMENT CORPORATION

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Form ADV Part 2A (Brochure)

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This brochure provides information about the qualifications and business practices of Luther King Capital Management Corporation. If you have any questions about the contents of this brochure, please contact us at (817) 332-3235. 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 Luther King Capital Management Corporation also is available on the United States Securities and Exchange Commission's website at www.adviserinfo.sec.gov. Registration with the United States Securities and Exchange Commission does not imply a certain level of skill or training.

ITEM 2 – MATERIAL CHANGES

The last update to our brochure was made on January 1, 2013. The following is a summary of the more significant updates that we made to our brochure since the last update:

We updated our brochure to provide information regarding our regulatory assets under management, the types of investment advisory services that we provide, the compensation we receive for such services, and the potential risks and conflicts of interest associated with such services. We also updated our brochure to provide information regarding our participation in the Schwab Advisor Network.

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ITEM 4 – ADVISORY BUSINESS

Our Firm

Luther King Capital Management Corporation (“LKCM,” “we” or “us”) is an investment advisor registered with the Securities and Exchange Commission that was founded by J. Luther King, Jr. in 1979. We provide investment advisory services to individuals, trusts, estates, charitable organizations, government entities, corporations and other business entities, foundations, endowments, pension and profit sharing plans, registered investment companies, and private investment funds. Our parent company is Southwest JLK Corporation, a corporation formed under Texas law. Our employees own or control all of the stock of Southwest JLK Corporation, with J. Luther King, Jr. owning and controlling a majority of the stock and constituting our principal owner.

We are organized as a Delaware corporation and our principal place of business is located at 301 Commerce Street, Suite 1600, Fort Worth, Texas 76102. As of March 31, 2013, we had 73 employees, including 42 investment and other professionals with many educational and professional designations, including CFA, MBA, CIC, CPA and CFP. As of March 31, 2013, our regulatory assets under management were approximately \$13.9 billion, of which approximately \$13.8 billion we managed on a discretionary basis and approximately \$0.1 billion we managed on a non-discretionary basis. Our “regulatory assets under management” may vary significantly from the amount of assets under management we disclose in other reports due to the manner in which regulatory assets under management must be calculated and reported under applicable federal securities laws.

We provide investment advisory services to a variety of clients, including:

- separately managed portfolios for individuals, trusts, estates, charitable organizations, government entities, corporations and other business entities, foundations, endowments, and pension and profit sharing plans;
- LKCM Funds, an open-end management investment company registered under the Investment Company Act of 1940 consisting of eight mutual funds (each, a “Fund,” and together, the “LKCM Funds”);
- sub-advised mutual funds and other accounts;
- affiliated private investment funds (“LKCM Partnerships”);
- special purpose private investment funds (“Co-Investment Partnerships”);
- model portfolio programs; and
- wrap fee programs.

Separately Managed Portfolios

We manage equity, small cap, small-mid cap, fixed income, and balanced separate portfolios for institutional and non-institutional clients. Our investment objective for separately managed portfolios is to achieve investment returns for our clients that exceed the applicable benchmark while attempting to manage portfolio risk and volatility. Our investment approach is grounded in the fundamental analysis of individual companies and primarily focuses on identifying companies that meet our investment standards. We take into consideration the investment objectives, goals, restrictions, tax status and risk profiles of our clients when providing investment advisory services for separately managed portfolios.

LKCM Funds

We serve as the investment advisor to the LKCM Funds, a registered investment company comprised of the following mutual funds:

- LKCM Equity Fund;
- LKCM Small Cap Equity Fund;
- LKCM Small-Mid Cap Equity Fund;
- LKCM Balanced Fund;
- LKCM Fixed Income Fund;
- LKCM Aquinas Small Cap Fund;
- LKCM Aquinas Growth Fund; and
- LKCM Aquinas Value Fund.

We provide investment advisory services to each Fund based on the investment objectives, policies and restrictions contained in the prospectus and statement of additional information for each Fund filed with the Securities and Exchange Commission.

LKCM Partnerships

We serve as the investment advisor to affiliated private investment funds that are exempt from registration under the Investment Company Act of 1940, including:

- LKCM Investment Partnership, L.P.;
- LKCM Investment Partnership II, L.P.;
- LKCM Private Discipline (QP), L.P. and LKCM Private Discipline International, L.P. (which are feeder funds of LKCM Private Discipline Master Fund, SPC);
- LKCM Long-Short Onshore Fund, L.P. and LKCM Long-Short Offshore Fund, L.P. (which are feeder funds of LKCM Long-Short Master Fund, L.P.);
- LKCM Micro-Cap Partnership, L.P.;
- LKCM Headwater Investments I, L.P.; and
- LKCM Technology Partnership, L.P.

We provide investment advisory services to each LKCM Partnership based on the investment objectives, policies and restrictions contained in the offering and organizational documents for each LKCM Partnership.

Co-Investment Partnerships

We or our affiliates or related persons may form capital around a particular strategy, theme or investment opportunity, or may establish, on a transaction-by-transaction basis, pooled investment vehicles through which we, our principals, affiliates or employees, our clients, the LKCM Partnerships, or other related or unrelated persons, including those which may not be our clients or investors in the LKCM Partnerships, may invest (each, a “Co-Investment Partnership”). The investment objectives, policies and restrictions of each Co-Investment Partnership are contained in the organizational documents for such Co-Investment Partnership.

Sub-Advised Mutual Funds and Other Portfolios

We serve as sub-advisor to unaffiliated mutual funds that are registered under the Investment Company Act of 1940 and to unaffiliated investment advisors and trust companies for other portfolios. We provide investment advisory services to each sub-advised mutual fund based on the investment objectives, policies and restrictions contained in the prospectus and statement of additional information it files with the Securities and Exchange Commission. We provide investment advisory services to each sub-advised portfolio based on the underlying client's investment objectives, goals, restrictions, tax status and risk profile communicated to us by the primary investment advisor or trust company.

Model Portfolio Programs

We participate in model portfolio programs established by unaffiliated sponsors. Under these programs, we provide a model equity portfolio to the sponsors of the programs to assist them in managing their client portfolios. The sponsors of the programs have sole responsibility for implementing, administering, and monitoring the investment, trading and operational aspects of the programs for their clients.

Wrap Fee Programs

We have been retained as a portfolio manager under wrap fee programs established by unaffiliated sponsors. Our investment advisory services are based on each program client's investment objectives, goals, restrictions, tax status and risk profile communicated to us by the applicable sponsor. Under the programs, the sponsors charge program clients a wrap fee for portfolio management, trading, custodial and other services, and the sponsors pay us a portion of these fees for our investment advisory services. We generally provide investment advisory services under the wrap fee programs in the same manner as those we provide for separately managed portfolios. We do not have discretion in selecting the broker-dealers through which trades for program clients are executed, as the wrap fee programs require these trades be executed through the applicable sponsors or their affiliates. As a result, wrap fee program clients may pay higher commissions or realize less favorable prices on securities transactions than those clients for which we have authority to select brokers.

Other Services

We provide investment advice to clients through consultations on a periodic basis. We also may offer advice to qualified existing and prospective clients regarding investing in the LKCM Funds, the LKCM Partnerships and/or the Co-Investment Partnerships.

ITEM 5 – FEES AND COMPENSATION

The following section describes how we are compensated for the investment advisory services that we provide to our clients.

Separately Managed Portfolios

<u>Strategy</u>	<u>Non-Institutional Portfolios</u>	<u>Institutional Portfolios</u>
Equity	<u>Equities and Cash Equivalents:</u> 1.00% on the first \$2 million 0.75% on the next \$3 million 0.50% over \$5 million	<u>Equities and Cash Equivalents:</u> 0.75% on the first \$2 million 0.50% on the next \$73 million 0.35% on the next \$75 million 0.25% over \$150 million
Small Cap	<u>Equities and Cash Equivalents:</u> 1.00% on the first \$5 million 0.75% on the next \$5 million 0.50% over \$10 million	<u>Equities and Cash Equivalents:</u> 1.00% on the first \$5 million 0.75% on the next \$5 million 0.50% over \$10 million
Small-Mid Cap	<u>Equities and Cash Equivalents:</u> 1.00% on the first \$5 million 0.75% on the next \$5 million 0.50% over \$10 million	<u>Equities and Cash Equivalents:</u> 1.00% on the first \$5 million 0.75% on the next \$5 million 0.50% over \$10 million
Fixed Income	<u>Fixed Income Securities:</u> 0.50% on the first \$2 million 0.35% on the next \$3 million 0.25% over \$5 million	<u>Fixed Income Securities:</u> 0.50% on the first \$2 million 0.35% on the next \$3 million 0.25% over \$5 million
Balanced	<u>Equities and Cash Equivalents:</u> 1.00% on the first \$2 million 0.75% on the next \$3 million 0.50% over \$5 million <u>Fixed Income Securities:</u> 0.50% on the first \$2 million 0.35% on the next \$3 million 0.25% over \$5 million	<u>Equities and Cash Equivalents:</u> 0.75% on the first \$2 million 0.50% on the next \$73 million 0.35% on the next \$75 million 0.25% over \$150 million <u>Fixed Income Securities:</u> 0.50% on the first \$2 million 0.35% on the next \$3 million 0.25% over \$5 million

We generally charge the following minimum annual management fees for separately managed portfolios:

- \$20,000 – non-institutional equity, fixed income and balanced portfolios;
- \$15,000 – institutional equity, fixed income and balanced portfolios; and
- \$30,000 – institutional and non-institutional small cap and small-mid cap portfolios.

In our discretion, we may consolidate portfolios for purposes of calculating management fees and portfolio minimums. We may waive or reduce the minimum annual management fee in our discretion. We generally waive management fees and portfolio minimums for portfolios in which we or our affiliates

or employees have a direct or indirect interest. Our management fees may be adjusted, waived or otherwise negotiated in our discretion and, therefore, certain clients may have a different fee schedule than those described above. In addition, clients whose investment management agreements we have assumed from other investment advisory firms may have a different fee schedule than those described above.

Unless we agree otherwise, our investment management agreement generally provides that you must pay management fees to us quarterly in advance. Our investment management agreement typically may be terminated at any time by either party upon written notice to the other party. If your investment management agreement is terminated prior to the end of a quarter, we will refund to you any unearned management fees paid in advance, prorated to the date of termination.

Our management fees for separately managed portfolios are generally based on the fair market value of assets in the portfolio as of the close of business on the last trading day of the most recent calendar quarter. When calculating management fees, we generally value equity securities at their closing price on the principal exchanges on which the securities are traded, if any, and we generally value fixed income and other securities at their fair market value as determined by us in good faith. We generally use pricing information supplied by an independent third-party pricing vendor to assist us in valuing securities for purposes of calculating our management fees and performance results. If no pricing information for a particular security is available from our third-party pricing vendor or we do not agree with our third-party pricing vendor's valuation, we will determine the fair market value of the security in good faith. Our valuations may be higher or lower than the valuations calculated by your custodian. A potential conflict of interest therefore exists because our management fees and performance results are based on our valuations of securities for your portfolio.

Under our investment management agreement with you, we generally have the authority to acquire shares of the LKCM Funds and other mutual funds for which we serve as sub-advisor in your portfolio. Under these circumstances, we will exclude the value of shares of the LKCM Funds and LKCM sub-advised mutual funds held in your portfolio when calculating your management fees. However, we will include the value of shares of unaffiliated mutual funds, money market funds, and exchange-traded funds held in your portfolio when calculating your management fees.

Under our investment management agreement with you, we generally will deduct management fees from your portfolio on a quarterly basis by submitting an invoice for our management fees directly to your custodian. We will send you a quarterly statement identifying the amount of the management fee due and the manner in which the management fee was calculated. You may be invoiced directly for management fees if reflected in our investment management agreement with you.

You will be responsible for paying other fees and expenses in addition to the management fees you pay us. For example, you will be responsible for paying custodial fees, wire transfer fees, transaction fees, and other fees and expenses to your custodian. In addition, you will be responsible for paying commissions, fees, expenses, and other transaction costs charged by your custodian and/or the brokers used to execute securities transactions for your portfolio. *Item 12 – Brokerage Practices* of this brochure contains additional information regarding our brokerage practices and the commissions, fees, expenses, and other transaction costs that you may be charged. You will also pay fees and expenses (such as distribution fees, administrative fees, and operating expenses) associated with shares of the LKCM Funds, other mutual funds, money market funds, and/or exchange-traded funds held in your portfolio, which are further described in the prospectuses and statements of additional information for these funds.

LKCM Funds

Under our investment advisory agreement with the LKCM Funds, we charge each Fund a management fee at a specified annual percentage rate of the Fund's average daily net assets. These management fees are calculated at annualized rates ranging from 0.50% to 1.00% of each Fund's average daily net assets and are paid quarterly in arrears. We have agreed to waive our management fees and/or reimburse expenses for each Fund in order to maintain a designated expense ratio for each Fund. Each Fund also pays other fees and expenses in addition to our management fees, such as distribution fees and expenses, administrative fees and expenses, custodial and transfer agent fees and expenses, accounting and professional fees and expenses, and other operating expenses.

Our management fees for the LKCM Funds are based on the net asset value for each Fund. The net asset value of each Fund is calculated each day that the New York Stock Exchange is open for business. Each Fund's net asset value is calculated by adding the fair market value of each Fund's investments, which is calculated based on pricing policies and procedures established by the board of trustees of the LKCM Funds, cash and other assets, and by subtracting the Fund's liabilities.

Additional information regarding the fees and expenses paid by the LKCM Funds is contained in the prospectus and statement of additional information for each Fund filed with the Securities and Exchange Commission.

LKCM Partnerships

We receive management fees for providing investment advisory services to the LKCM Partnerships. Subject to certain limitations, the general partners of the LKCM Partnerships, which are our affiliates, are entitled to receive performance fees based on the unrealized or realized net profits of the LKCM Partnerships (other than LKCM Investment Partnership, L.P. and LKCM Investment Partnership II, L.P., for which no performance fees are charged). These compensation structures create potential conflicts of interest because we have an incentive to solicit prospective limited partners in, and devote more resources to, the LKCM Partnerships. These compensation structures, which are further described in the offering and organizational documents for the LKCM Partnerships, are summarized below.

- LKCM Investment Partnership, L.P. – we receive management fees of 1.6% per annum of the net asset value of the partnership, calculated and payable quarterly in advance.
- LKCM Investment Partnership II, L.P. – we receive management fees of 1.6% per annum of the net asset value of the partnership, calculated and payable quarterly in advance.
- LKCM Private Discipline Master Fund, SPC – we are entitled to receive management fees of 2% per annum of the capital account balance of the partnership's base segregated portfolio and 2% per annum of the capital contributions to the partnership's private investment segregated portfolio, calculated monthly and payable quarterly in advance. We have voluntarily agreed to reduce these management fees to 1.5% per annum, respectively, until further notice. We have also voluntarily agreed to accrue management fees attributable to the private investment segregated portfolio until such portfolio investments are sold or otherwise realized. The general partner of the partnership may receive performance fees of up to 20% of the unrealized and realized net profits of the partnership's segregated portfolios, subject to certain limitations. These management fees and performance fees are indirectly paid by LKCM Private Discipline (QP), L.P. and LKCM Private Discipline International, L.P., the feeder funds of LKCM Private Discipline Master Fund, SPC.

- LKCM Long-Short Master Fund, L.P. – we receive management fees of 1% per annum of the net asset value of the partnership, calculated and payable quarterly in advance. The managing general partner of the partnership may receive performance fees of up to 20% of the unrealized and realized net profits of the partnership, subject to certain limitations. These management fees and performance fees are indirectly paid by LKCM Long-Short Onshore Fund, L.P. and LKCM Long-Short Offshore Fund, L.P., the feeder funds of LKCM Long-Short Master Fund, L.P.
- LKCM Micro-Cap Partnership, L.P. – we receive management fees of 1.5% per annum of the net asset value of the partnership, calculated and payable quarterly in advance. The general partner of the partnership may receive performance fees of up to 20% of the unrealized and realized net profits of the partnership, subject to certain limitations.
- LKCM Headwater Investments I, L.P. – we receive management fees of 2% per annum of either the aggregate capital commitments of limited partners or invested capital of the partnership, as determined under the partnership agreement, calculated and payable quarterly in advance. The general partner of the partnership may receive performance fees of up to 20% of the net proceeds distributed from realized investments of the partnership, subject to certain limitations.
- LKCM Technology Partnership, L.P. – we receive management fees of 1.5% per annum of the net asset value of the partnership, calculated and payable quarterly in advance. The general partner of the partnership may receive performance fees of up to 15% of the unrealized and realized net profits of the partnership, subject to certain limitations.

Each LKCM Partnership generally pays all other expenses incurred by the LKCM Partnership, us, or its general partner that are attributable to the activities of the LKCM Partnership, such as:

- expenses incurred in evaluating, acquiring or disposing of investments;
- expenses incurred in carrying or managing investments, such as custodial, recordkeeping and administration fees;
- expenses incurred in preparing financial statements and tax returns;
- accounting and professional fees and expenses; and
- other operating expenses.

We and/or our principals, employees and affiliates are limited partners in the LKCM Partnerships. We may waive management fees for limited partners in the LKCM Partnerships in our discretion, including those for us and/or our principals, employees and affiliates. The general partners of the LKCM Partnerships may waive any applicable performance fees for limited partners in the LKCM Partnerships in their discretion, including those for us and/or our principals, employees and affiliates.

Our management fees for each LKCM Partnership are generally based on the net asset values of the LKCM Partnerships. The net asset value of each LKCM Partnership is calculated by adding the fair market value of the LKCM Partnership's investments, which is calculated based on data provided by us, the custodian or the administrator for the LKCM Partnership, cash and other assets, and by subtracting the LKCM Partnership's liabilities. Our valuations of investments held by each LKCM Partnership are generally based on information that we receive from our independent third-party pricing vendor and may be higher or lower than the valuations calculated by the custodian for such LKCM Partnership. If no pricing information from our third-party pricing vendor is available for an investment held by a LKCM Partnership or we do not agree with our third-party pricing vendor's valuation, the general partner of the

LKCM Partnership will determine the fair market value of such investment in good faith. A potential conflict of interest therefore exists because our management fees, performance fees, and performance results are based on our valuations of investments for the LKCM Partnerships.

We and/or our affiliates or related persons may also receive management, performance, oversight, board, administrative or similar fees in connection with advisory, management, monitoring, administrative or similar services that we and/or our affiliates or related persons provide to portfolio companies of the LKCM Partnerships. Such compensation creates potential conflicts of interest because we have an incentive to solicit prospective investors in, and devote more resources to, the LKCM Partnerships and their portfolio companies.

Additional information about the fees and expenses paid by the LKCM Partnerships is contained in the offering and organizational documents for the LKCM Partnerships.

Co-Investment Partnerships

We and/or our affiliates or related persons may receive management, performance, oversight, board, administrative or similar fees in connection with advisory, management, monitoring, administrative or similar services that we and/or our affiliates or related persons provide to the Co-Investment Partnerships or their portfolio companies. Such compensation creates potential conflicts of interest because we have an incentive to solicit prospective investors in, and devote more resources to, the Co-Investment Partnerships.

Each Co-Investment Partnership generally pays all other expenses incurred by such Co-Investment Partnership, us, or its general partner or managing member that are attributable to the activities of such Co-Investment Partnership, such as:

- expenses incurred in evaluating, acquiring or disposing of investments;
- expenses incurred in carrying or managing investments, such as custodial, recordkeeping and administration fees;
- expenses incurred in preparing financial statements and tax returns;
- accounting and professional fees and expenses; and
- other operating expenses.

We and/or our principals, employees and affiliates generally are investors in the Co-Investment Partnerships. We may waive any applicable management, monitoring, administrative or similar fees for investors in the Co-Investment Partnerships in our discretion, including those for us and/or our principals, employees and affiliates. The general partners or managing members of the Co-Investment Partnerships may waive any applicable performance fees for investors in such Co-Investment Partnerships in their discretion, including those for us and/or our principals, employees and affiliates.

Additional information about the fees and expenses paid by the Co-Investment Partnerships is contained in the organizational documents for the Co-Investment Partnerships.

Sub-Advised Mutual Funds and Other Portfolios

We provide investment sub-advisory services to unaffiliated mutual funds. The sub-advisory fees that we receive for providing these services are negotiated between us and the principal investment advisor for each sub-advised mutual fund and are contained in the sub-advisory agreement between us and the principal investment advisor. Our sub-advisory fee is part of the total investment advisory fee paid by the

sub-advised mutual fund. Additional information about the fees and expenses of these sub-advised mutual funds is available in the prospectuses and statements of additional information they file with the Securities and Exchange Commission.

We also provide investment sub-advisory services to unaffiliated investment advisors and trust companies for other portfolios. The sub-advisory fees that we receive for providing these services are negotiated between us and the principal investment advisor or trust company for each sub-advised portfolio and generally range between 0.50% and 1.00% of the market value of assets held in the sub-advised portfolio.

Model Portfolio Programs

We participate in model portfolio programs established by unaffiliated sponsors. We charge the sponsors of these programs fees ranging between 0.25% and 0.40% per annum of the market value of those underlying accounts that use our model equity portfolios. Participants in model portfolio programs are responsible for paying the fees and expenses charged by the applicable sponsors of such programs.

Wrap Fee Programs

We serve as portfolio manager under wrap fee programs established by unaffiliated sponsors. We charge the sponsors of these programs fees ranging between 0.32% and 0.50% per annum of the market value of those underlying program client accounts for which we provide investment advisory services. Wrap fee program clients are responsible for paying the fees and expenses charged by the applicable sponsors of such programs.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described in *Item 5 – Fees and Compensation* of this brochure, subject to certain limitations, the general partners or managing members of the LKCM Partnerships or Co-Investment Partnerships, which are our affiliates or related persons, may receive performance fees based on the unrealized or realized net profits of the LKCM Partnerships (other than LKCM Investment Partnership, L.P. and LKCM Investment Partnership II, L.P., for which no performance fees are charged) and certain Co-Investment Partnerships. The receipt of performance fees creates a potential conflict of interest in that we may have an incentive to make investments for applicable LKCM Partnerships or Co-Investment Partnerships or their portfolio companies that are riskier or more speculative than would be the case in the absence of a performance fee. We may have an incentive to favor those LKCM Partnerships or Co-Investment Partnerships for which performance fees are charged over other client portfolios for which performance fees are not charged, such as by allocating more profitable investments or opportunities to, or by devoting more resources to, these LKCM Partnerships or Co-Investment Partnerships.

We make investment decisions for our clients based on their respective investment objectives, guidelines, restrictions, risk profiles, tax status and other relevant considerations. Consequently, we may purchase or sell securities at the same or different times for some clients but not other clients, or we may make investment decisions for some clients that are contrary to investment decisions for other clients. In addition, we could favor some clients over other clients in the order in which trades are placed, in that portfolios for which trades are placed first could receive a more or less favorable execution price than portfolios for which trades are placed in subsequent transactions. We could also favor some clients over other clients when allocating investment opportunities of a limited nature, such as initial public offerings and private placements. We and/or our principals, employees or affiliates have a proprietary interest in certain portfolios, the LKCM Funds, the LKCM Partnerships or the Co-Investment Partnerships, and we therefore may have an incentive to favor such portfolios over other portfolios or devote more resources to such portfolios as compared to other portfolios.

These practices may be considered potential conflicts of interest because they may benefit some clients over other clients depending on market conditions and other factors. We believe we have implemented policies and procedures that are reasonably designed to mitigate potential conflicts of interest raised by side-by-side management of various portfolios. Some of these policies and procedures are described in *Item 12 – Brokerage Practices* of this brochure. You may contact our Chief Compliance Officer at (817) 332-3235 to discuss the policies and procedures we have implemented in an effort to mitigate potential conflicts of interest raised by side-by-side management of various portfolios.

ITEM 7 – TYPES OF CLIENTS

We provide investment advisory services to individuals, trusts, estates, charitable organizations, government entities, corporations and other business entities, foundations, endowments, pension and profit sharing plans, registered investment companies, and private investment funds. Our requirements for opening and maintaining a portfolio with us are summarized below.

Separately Managed Portfolios

We generally require the following minimum portfolio sizes for opening and maintaining separately managed portfolios with us:

- \$2,000,000 – equity, fixed income, and balanced separately managed portfolios for institutional and non-institutional clients; and
- \$3,000,000 – small cap and small-mid cap separately managed portfolios for institutional and non-institutional clients.

We may waive these portfolio minimums for any client in our discretion. We may also consolidate separately managed portfolios of related parties to determine whether or not our portfolio minimums are satisfied for a particular client.

LKCM Funds

The LKCM Funds require a minimum initial investment of \$2,000, which may be waived by each Fund in its discretion. Purchases and redemptions of shares of the LKCM Funds are subject to various requirements as further described in the prospectus and statement of additional information for each Fund filed with the Securities and Exchange Commission.

LKCM Partnerships

The LKCM Partnerships generally require limited partners to satisfy the following minimum initial investment amounts and eligibility requirements:

- LKCM Investment Partnership, L.P. – generally requires an initial minimum investment of \$1,000,000. The general partner may waive this minimum investment amount in its discretion. Limited partners must qualify as “accredited investors,” “qualified purchasers” and/or “knowledgeable employees” under applicable federal securities laws.
- LKCM Investment Partnership II, L.P. – generally requires an initial minimum investment of \$1,000,000. The general partner may waive this minimum investment

amount in its discretion. Limited partners must qualify as “accredited investors” under applicable federal securities laws.

- LKCM Private Discipline (QP), L.P. – generally requires an initial minimum investment of \$1,000,000. The general partner may waive this minimum investment amount in its discretion. Limited partners must qualify as “accredited investors,” “qualified purchasers” and/or “knowledgeable employees” under applicable federal securities laws.
- LKCM Private Discipline International, L.P. – generally requires an initial minimum investment of \$1,000,000. The general partner may waive this minimum investment amount in its discretion. Limited partners must qualify as “accredited investors” and “qualified purchasers” under applicable federal securities laws.
- LKCM Long-Short Onshore Fund, L.P. – generally requires an initial minimum investment of \$1,000,000. The general partner may waive this minimum investment amount in its discretion. Limited partners must qualify as “accredited investors,” “qualified purchasers” and/or “knowledgeable employees” under applicable federal securities laws.
- LKCM Long-Short Offshore Fund, L.P. – generally requires an initial minimum investment of \$1,000,000. The general partner may waive this minimum investment amount in its discretion. Limited partners must qualify as “accredited investors” and “qualified purchasers” under applicable federal securities laws.
- LKCM Micro-Cap Partnership, L.P. – generally requires an initial minimum investment of \$1,000,000. The general partner may waive this minimum investment amount in its discretion. Limited partners must qualify as “accredited investors,” “qualified purchasers” and/or “knowledgeable employees” under applicable federal securities laws.
- LKCM Headwater Investments I, L.P. – generally requires a minimum capital commitment of \$1,000,000. The general partner may waive this minimum capital commitment in its discretion. Limited partners must qualify as “accredited investors,” “qualified purchasers” or “knowledgeable employees” under applicable federal securities laws.
- LKCM Technology Partnership, L.P. – generally requires an initial minimum investment of \$1,000,000. The general partner may waive this minimum investment amount in its discretion. Limited partners must qualify as “accredited investors,” “qualified clients” and/or “knowledgeable employees” under applicable federal securities laws.

Additional information regarding the minimum initial investment amounts, capital commitments, eligibility criteria, and purchase and redemption requirements are described in the offering and organizational documents for the LKCM Partnerships.

Co-Investment Partnerships

The Co-Investment Partnerships generally require investors to satisfy the minimum initial investment amounts and eligibility requirements contained in the organizational documents for such Co-Investment Partnerships and/or determined by the general partners or managing members of such Co-Investment partnerships in their sole discretion.

Sub-Advised Mutual Funds and Other Portfolios

We serve as the sub-advisor for unaffiliated mutual funds. The minimum initial investment amount for each sub-advised mutual fund is described in the applicable prospectus and statement of additional information it files with the Securities and Exchange Commission. Purchases and redemptions of shares of these mutual funds are subject to various requirements as further described in the applicable prospectus and statement of additional information for these mutual funds filed with the Securities and Exchange Commission.

We generally require other sub-advised portfolios to meet our minimum portfolio size for separately managed portfolios as described above. We may waive these portfolio minimums for any sub-advised client in our discretion. We may also consolidate portfolios of related parties to determine whether or not our portfolio minimums are satisfied for a particular sub-advised client.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

We offer clients several equity, fixed income and alternative investment strategies. These investment strategies are generally available through separately managed portfolios, the LKCM Funds, the LKCM Partnerships and/or the Co-Investment Partnerships. The following is a brief description of each strategy's investment objective, the principal investment strategies typically used in managing assets within the strategy, and the material risks associated with the strategy. The investment techniques that we use within a given strategy may vary over time depending on various factors. There is no assurance that a particular strategy will meet its investment objectives or be profitable. Investing in securities involves the risk of loss of money and you should be prepared to bear that loss.

Separately Managed Portfolios

The following section includes a summary of the investment objectives, principal investment strategies, and material risks of the principal investment strategies that we offer to clients through separately managed portfolios. A description of the named material risks is included at the end of this section under "Description of Material Risks of Separately Managed Portfolio Strategies."

The summaries of the investment objectives, principal investment strategies, and material risks provided below are necessarily limited and are presented for general informational purposes in accordance with regulatory requirements. Consequently, these summaries are in all instances qualified and superseded by the descriptions of objectives, strategies and risks, portfolio reports, and other communications we provide to you in connection with our management of your portfolio.

Equity Strategy

Investment Objective: Our equity strategy seeks to generate investment returns that exceed the applicable benchmark while attempting to manage portfolio risk and volatility.

Principal Investment Strategies: Our equity strategy seeks to achieve its investment objective through fundamental analysis of individual companies and seeks high quality companies based on various criteria, such as profitability, balance sheet quality, competitive advantages, market share positions, ability to generate excess cash flows, meaningful management ownership stakes, reinvestment opportunities and/or relative valuation. The strategy typically holds equity securities of approximately 40-65 companies. The strategy typically purchases securities of companies with market capitalizations of at least \$1 billion at the initial time of purchase. The

strategy is not required to sell equity securities whose market values fall below this market capitalization.

Material Risks: General Market and Economic Risk; Specific Security Risk; Stock Market Risk; Small and Mid Cap Risk; Management Risk; Liquidity Risk; Foreign Investment Risk.

Small-Cap Strategy

Investment Objective: Our small-cap strategy seeks to generate investment returns that exceed the applicable benchmark while attempting to manage portfolio risk and volatility.

Principal Investment Strategies: Our small-cap strategy seeks to achieve its investment objective through fundamental analysis of individual companies and seeks high quality companies based on various criteria, such as profitability, balance sheet quality, competitive advantages, market share positions, ability to generate excess cash flows, meaningful management ownership stakes, reinvestment opportunities and/or relative valuation. The strategy typically holds equity securities of approximately 85-95 companies. The strategy typically purchases securities of companies with market capitalizations between \$400 million and \$3 billion at the initial time of purchase. The strategy is not required to sell equity securities whose market values appreciate or depreciate outside this market capitalization range.

Material Risks: General Market and Economic Risk; Specific Security Risk; Stock Market Risk; Small and Mid Cap Risk; Management Risk; Liquidity Risk; Foreign Investment Risk.

Small-Mid Cap Strategy

Investment Objective: Our small-mid cap strategy seeks to generate investment returns that exceed the applicable benchmark while attempting to manage portfolio risk and volatility.

Principal Investment Strategies: Our small-mid cap strategy seeks to achieve its investment objective through fundamental analysis of individual companies and seeks high quality companies based on various criteria, such as profitability, balance sheet quality, competitive advantages, market share positions, ability to generate excess cash flows, meaningful management ownership stakes, reinvestment opportunities and/or relative valuation. The strategy typically holds equity securities of approximately 50-60 companies. The strategy typically purchases securities of companies with market capitalizations between \$1 billion and \$8 billion at the initial time of purchase. The strategy is not required to sell equity securities whose market values appreciate or depreciate outside this market capitalization range.

Material Risks: General Market and Economic Risk; Specific Security Risk; Stock Market Risk; Small and Mid Cap Risk; Management Risk; Liquidity Risk; Foreign Investment Risk.

Mid Cap Strategy

Investment Objective: Our mid cap strategy seeks to generate investment returns that exceed the applicable benchmark while attempting to manage portfolio risk and volatility.

Principal Investment Strategies: Our mid cap strategy seeks to achieve its investment objective through fundamental analysis of individual companies and seeks high quality companies based on various criteria, such as profitability, balance sheet quality, competitive advantages, market share positions, ability to generate excess cash flows, meaningful management ownership stakes,

reinvestment opportunities and/or relative valuation. The strategy typically holds equity securities of approximately 50-60 companies. The strategy typically purchases securities of companies with market capitalizations between \$2 billion and \$20 billion at the initial time of purchase. The strategy is not required to sell equity securities whose market values appreciate or depreciate outside this market capitalization range.

Material Risks: General Market and Economic Risk; Specific Security Risk; Stock Market Risk; Small and Mid Cap Risk; Management Risk; Liquidity Risk; Foreign Investment Risk.

Fixed Income Strategy

Investment Objective: Our fixed income strategy seeks to maximize portfolio returns and provide income while attempting to manage portfolio, interest rate, and credit risk.

Principal Investment Strategy: Our fixed income strategy seeks to achieve its investment objective by typically investing in investment grade corporate, U.S. government and agency, and/or municipal fixed income securities. The strategy typically focuses on sector allocations, maturity selections, relative valuations, and fundamental research in an effort to manage portfolio, interest rate, and credit risk. The strategy typically uses non-callable fixed income securities for their offensive characteristics and callable fixed income securities for their defensive characteristics in an effort to manage reinvestment risk. The strategy's mix of fixed income securities generally takes into consideration the tax status of individual clients.

Material Risks: General Market and Economic Risk; Specific Security Risk; Small and Mid Cap Risk; Interest Rate Risk; Credit Risk; Management Risk; Liquidity Risk; Foreign Investment Risk.

Balanced Strategy

Investment Objective: Our balanced strategy seeks to generate investment returns that exceed the applicable benchmark and provide income while attempting to manage portfolio risk and volatility.

Principal Investment Strategies: Our balanced strategy incorporates the principal investment strategies for our equity and fixed income strategies above. The strategy's mix of equity and fixed income securities for individual clients varies depending on the investment objectives, guidelines, restrictions, tax status, and risk profile for each client.

Material Risks: Our balanced strategy is subject to the material risks named for our equity and fixed income strategies above.

Dedicated Target Equity Strategy

Investment Objective: Our dedicated target equity strategy seeks to generate investment returns that exceed the applicable benchmark while attempting to manage portfolio risk and volatility.

Principal Investment Strategies: Our dedicated target equity strategy seeks to achieve its investment objective by constructing a portfolio based on the application of our proprietary quantitative model. The strategy initially screens a database to identify an investable universe of approximately 700-800 companies based on various quantitative factors. The strategy then ranks the investable universe of companies according to a composite alpha factor comprised of various

quantitative variables. The strategy then applies an optimization program comprised of various quantitative factors to create a portfolio of equity securities of approximately 100 companies.

Material Risks: General Market and Economic Risk; Specific Security Risk; Stock Market Risk; Small and Mid Cap Risk; Management Risk; Liquidity Risk; Quantitative Risk; Foreign Investment Risk.

Description of Material Risks for Separately Managed Portfolio Strategies

General Market and Economic Risk: The value of the strategy's investments may decline due to changes in general economic and market conditions. The value of securities held in the strategy may change in response to developments affecting entire economies, markets or industries, such as inflation, changes in interest rates, political and legal developments, and general market volatility.

Specific Security Risk: The value of an equity or fixed income security held by the strategy may decline in response to developments affecting the specific issuer of the security, even if the overall industry or economy is unaffected. These developments may include a variety of factors, such as management issues, political factors, a decline in revenues or profitability, a failure to meet earnings expectations, litigation, bankruptcy, an increase in operating or other costs, or an adverse effect on the issuer's competitive position.

Stock Market Risk: The strategy invests in equity securities and is subject to stock market risks and significant fluctuations in value. The strategy's investments in equity securities will typically focus on common stocks, preferred stocks, American Depositary Receipts (ADRs) and exchange-traded funds (ETFs). Common stocks generally are subordinate to the issuing company's debt securities, credit obligations and preferred stock upon the liquidation or bankruptcy of the issuing company. Preferred stocks generally are subordinated to the issuing company's debt securities and credit obligations upon the liquidation or bankruptcy of the issuing company. If interest rates rise, the dividend on preferred stocks may be less attractive, causing the price of preferred stocks to decline. Preferred stocks may have mandatory sinking fund provisions, as well as provisions for their call or redemption prior to maturity, which can have a negative effect on their prices when interest rates rise. ADRs are receipts issued by domestic banks or trust companies that represent the deposit of a security of a foreign issuer and typically are publicly traded in the United States. Investments in ADRs are subject to certain of the risks associated with investing directly in foreign securities, including, but not limited to, currency fluctuations and political and financial instability in the home country of the issuer of the underlying ADR. ETFs are registered investment companies that hold a portfolio of equity securities designed to track the performance of a particular index. Investments in ETFs are subject to the various risks associated with investing in securities described herein as well as the risk that ETFs may not fully replicate the performance of the particular indexes which they are designed to track.

Small and Mid Cap Risk: The strategy may invest in securities of small or mid capitalization companies that may not have the size, resources and other assets of large capitalization companies. As a result, the securities of small or mid capitalization companies held by the strategy may be subject to greater market risks and fluctuations in value than large capitalization companies or may not correspond to changes in the stock market in general.

Interest Rate Risk: When interest rates rise, the value of fixed income investments in the strategy may decline. When interest rates decrease, income from the strategy's fixed income investments

may decline. This effect is typically more pronounced for intermediate and long-term fixed income securities.

Credit Risk: If the strategy holds fixed income securities of an issuer that experiences financial problems, the securities will likely decline in value or the issuer may fail to make timely payments of interest or principal on the securities. Political, economic and other factors also may adversely affect the value of fixed income securities held in the strategy.

Management Risk: We actively manage investments in the strategy. The value of investments in the strategy may decline if we fail to correctly identify risks affecting the broad economy or specific markets, industries or companies in which the strategy invests, or if investments we select for the strategy fail to perform as anticipated.

Liquidity Risk: Due to a lack of demand in the marketplace or other factors, the strategy may not be able to sell some or all of its investments promptly, or may only be able to sell investments at less than desired prices.

Foreign Investment Risk: The strategy may invest in securities of foreign issuers, ADRs and/or ETFs that are designed to track the performance of foreign indexes. Investments in these securities are subject to a number of risks associated with foreign markets, such as adverse political, social, and economic developments, accounting standards or governmental supervision that is not consistent with that to which U.S. companies are subject, limited information about foreign companies, fluctuations in currency exchange rates, and less liquidity in foreign markets. These risks may be more pronounced for investments in developing countries.

Quantitative Risk: Investments in the strategy are selected using quantitative methods and may perform differently from the market as a whole and are subject to inaccurate assumptions in the construction of the model.

LKCM Funds

We provide investment advisory services to the LKCM Funds. The following section includes a summary of the investment objectives, principal investment strategies, and material risks associated with each LKCM Fund. A description of the named material risks is included at the end of this section under “Description of Material Risks of the LKCM Funds.”

The summaries of the investment objectives, principal investment strategies, and material risks provided below are necessarily limited and are presented for general informational purposes in accordance with regulatory requirements. Consequently, these summaries are in all instances qualified and superseded by the prospectuses and statements of additional information of the LKCM Funds. Additional information about the investment objectives, investment strategies, risks, and other terms of the LKCM Equity Fund, LKCM Small Cap Equity Fund, LKCM Small-Mid Cap Equity Fund, LKCM Balanced Fund, and LKCM Fixed Income Fund is contained in the prospectus and statement of additional information for these Funds, which can be obtained free of charge by contacting these Funds at 1-800-688-LKCM, by visiting www.lkcmfunds.com, or by sending an email to info@lkcmfunds.com. Additional information about the investment objectives, investment strategies, risks, and other terms of the LKCM Aquinas Small Cap Fund, LKCM Aquinas Value Fund, and LKCM Aquinas Growth Fund is contained in the prospectus and statement of additional information for these Funds, which can be obtained free of charge by contacting these Funds at 1-800-423-6369, by visiting www.aquinasfunds.com/documents, or by sending an email to info@aquinasfunds.com.

LKCM Equity Fund

Investment Objective: The Fund seeks to maximize long-term capital appreciation.

Principal Investment Strategies: The Fund seeks to achieve its investment objective by investing under normal circumstances at least 80% of its net assets in equity securities. The Fund primarily invests in companies that we believe are likely to have above-average growth in revenue and/or earnings, above-average returns on shareholders' equity, under-leveraged balance sheets, and/or potential for above-average capital appreciation. The Fund may invest in equity securities of small, mid and large capitalization companies.

Material Risks: General Market and Economic Risk; Specific Security Risk; Stock Market Risk; Management Risk; Small and Mid Cap Risk; Liquidity Risk; Foreign Investment Risk.

LKCM Small Cap Equity Fund

Investment Objective: The Fund seeks to maximize long-term capital appreciation.

Principal Investment Strategies: The Fund seeks to achieve its investment objective by investing under normal circumstances at least 80% of its net assets in equity securities of small capitalization companies. The Fund primarily chooses investments that we believe are likely to have above-average growth in revenue and/or earnings and potential for above-average capital appreciation. Small capitalization companies are those with market capitalizations at the time of investment between \$400 million and \$3 billion. The Fund is not required to sell equity securities whose market values appreciate or depreciate outside this market capitalization range.

Material Risks: General Market and Economic Risk; Recent Market Events Risk; Specific Security Risk; Stock Market Risk; Management Risk; Small-Cap Risk; Liquidity Risk; Foreign Investment Risk.

LKCM Small-Mid Cap Equity Fund

Investment Objective: The Fund seeks to maximize long-term capital appreciation.

Principal Investment Strategies: The Fund seeks to achieve its investment objective by investing under normal circumstances at least 80% of its net assets in equity securities of small-mid capitalization companies. The Fund primarily chooses investments that we believe are likely to have above-average growth in revenue and/or earnings and potential for above-average capital appreciation. Small-mid capitalization companies are those with market capitalizations at the time of investment between \$1 billion and \$8 billion. The Fund is not required to sell equity securities whose market values appreciate or depreciate outside this market capitalization range.

Material Risks: General Market and Economic Risk; Recent Market Events Risk; Specific Security Risk; Stock Market Risk; Management Risk; Small and Mid Cap Risk; Liquidity Risk; Foreign Investment Risk.

LKCM Balanced Fund

Investment Objective: The Fund seeks current income and long-term capital appreciation.

Principal Investment Strategies: The Fund seeks to achieve its investment objective by investing primarily in a portfolio of equity and fixed income securities. The Fund's investments in equity securities consist primarily of companies that meet our equity strategy investment standards. The Fund may invest in equity securities of small, mid and large capitalization companies. The Fund's investments in fixed income securities consist primarily of investment grade corporate and U.S. government and agency issues with maturities from one to ten years. Under normal circumstances, 25% or more of the Fund's total assets consist of fixed income securities. The Fund does not intend to invest more than 20% of its total assets in equity securities of companies that do not pay dividends.

Material Risks: General Market and Economic Risk; Recent Market Events Risk; Specific Security Risk; Stock Market Risk; Management Risk; Small and Mid Cap Risk; Interest Rate Risk; Credit Risk; Liquidity Risk; Foreign Investment Risk.

LKCM Fixed Income Fund

Investment Objective: The Fund seeks current income.

Principal Investment Strategies: The Fund seeks to achieve its investment objective by investing under normal circumstances at least 80% of its net assets in a portfolio of investment grade corporate and U.S. government and agency fixed income securities. The Fund typically invests in fixed income securities with short- to intermediate-term maturities (those with maturities from one to ten years) issued by corporations and other entities, the U.S. government, and agencies or instrumentalities of the U.S. government. The Fund generally intends to purchase securities that are rated investment grade by a nationally recognized statistical rating organization at the time of purchase. The Fund is not required to sell securities that are downgraded below investment grade.

Material Risks: General Market and Economic Risk; Recent Market Events Risk; Specific Security Risk; Management Risk; Interest Rate Risk; Credit Risk; Liquidity Risk; Foreign Investment Risk.

LKCM Aquinas Small Cap Fund

Investment Objective: The Fund seeks to maximize long-term capital appreciation, while incorporating Catholic values investing principles in the investment process.

Principal Investment Strategies: The Fund seeks to achieve its investment objective by investing under normal circumstances at least 80% of its net assets in equity securities of small capitalization companies. The Fund primarily chooses investments that we believe are likely to have above-average growth in revenue and/or earnings and potential for above-average capital appreciation. Small capitalization companies are those with market capitalizations at the time of investment between \$400 million and \$3 billion. The Fund is not required to sell equity securities whose market values appreciate or depreciate outside this market capitalization range. The Fund practices socially responsible investing within the framework provided by the United States Conference of Catholic Bishops' Socially Responsible Investing Guidelines.

Material Risks: General Market and Economic Risk; Recent Market Events Risk; Specific Security Risk; Stock Market Risk; Management Risk; Small-Cap Risk; Catholic Values Investing Risk; Liquidity Risk; Foreign Investment Risk.

LKCM Aquinas Value Fund

Investment Objective: The Fund seeks to maximize long-term capital appreciation, while incorporating Catholic values investing principles in the investment process.

Principal Investment Strategies: The Fund seeks to achieve its investment objective by investing in equity securities of companies that we believe are undervalued. The Fund primarily chooses investments that we believe have below average price to earnings ratios, low price to cash flow characteristics, attractive dividend yields and/or lower price to book value ratios. The Fund may invest in equity securities of small, mid and large capitalization companies. The Fund practices socially responsible investing within the framework provided by the United States Conference of Catholic Bishops' Socially Responsible Investing Guidelines.

Material Risks: General Market and Economic Risk; Recent Market Events Risk; Specific Security Risk; Stock Market Risk; Management Risk; Value Investing Risk; Small and Mid Cap Risk; Catholic Values Investing Risk; Liquidity Risk; Foreign Investment Risk.

LKCM Aquinas Growth Fund

Investment Objective: The Fund seeks to maximize long-term capital appreciation, while incorporating Catholic values investing principles in the investment process.

Principal Investment Strategies: The Fund seeks to achieve its investment objective by primarily investing in equity securities of companies that we believe have above-average growth in revenue and/or earnings, above-average returns on shareholders' equity, underleveraged balance sheets and/or potential for above-average capital appreciation. The Fund may invest in equity securities of small, mid and large capitalization companies. The Fund practices socially responsible investing within the framework provided by the United States Conference of Catholic Bishops' Socially Responsible Investing Guidelines.

Material Risks: General Market and Economic Risk; Recent Market Events Risk; Specific Security Risk; Stock Market Risk; Management Risk; Growth Investing Risk; Small and Mid Cap Risk; Catholic Values Investing Risk; Liquidity Risk; Foreign Investment Risk.

Description of Material Risks for the LKCM Funds

General Market and Economic Risk: The value of the Fund's investments may decline due to changes in general economic and market conditions. The value of securities held in the Fund may change in response to developments affecting entire economies, markets or industries, such as inflation, changes in interest rates, political and legal developments, and general market volatility.

Specific Security Risk: The value of an equity or fixed income security held by the Fund may decline in response to developments affecting the specific issuer of the security, even if the overall industry or economy is unaffected. These developments may include a variety of factors, such as management issues, political factors, a decline in revenues or profitability, a failure to

meet earnings expectations, litigation, bankruptcy, an increase in operating or other costs, or an adverse effect on the issuer's competitive position.

Stock Market Risk: The Fund invests in equity securities and is subject to stock market risks and significant fluctuations in value. The Fund's investments in equity securities will typically focus on common stocks, preferred stocks and American Depositary Receipts (ADRs). Common stocks generally are subordinate to the issuing company's debt securities, credit obligations and preferred stock upon the liquidation or bankruptcy of the issuing company. Preferred stocks generally are subordinated to the issuing company's debt securities and credit obligations upon the liquidation or bankruptcy of the issuing company. If interest rates rise, the dividend on preferred stocks may be less attractive, causing the price of preferred stocks to decline. Preferred stocks may have mandatory sinking fund provisions, as well as provisions for their call or redemption prior to maturity, which can have a negative effect on their prices when interest rates rise. ADRs are receipts issued by domestic banks or trust companies that represent the deposit of a security of a foreign issuer and typically are publicly traded in the United States. Investments in ADRs are subject to certain of the risks associated with investing directly in foreign securities, including, but not limited to, currency fluctuations and political and financial instability in the home country of the issuer of the underlying ADR.

Management Risk: We actively manage investments in the Fund. The value of investments in the Fund may decline if we fail to correctly identify risks affecting the broad economy or specific markets, industries or companies in which the Fund invests, or if investments we select for the Fund fail to perform as anticipated.

Small-Cap Risk: The Fund may invest in small capitalization companies that may not have the size, resources and other assets of mid or large capitalization companies. As a result, the securities of small capitalization companies held by the Fund may be subject to greater market risks and fluctuations in value than mid or large capitalization companies or may not correspond to changes in the stock market in general.

Small and Mid Cap Risk: The Fund may invest in small and mid capitalization companies that may not have the size, resources and other assets of large capitalization companies. As a result, the securities of small and mid capitalization companies held by the Fund may be subject to greater market risks and fluctuations in value than large capitalization companies or may not correspond to changes in the stock market in general.

Interest Rate Risk: When interest rates rise, the value of fixed income investments held by the Fund may decline. When interest rates decrease, income from the Fund's fixed income investments may decline. This effect is typically more pronounced for intermediate and long-term fixed income securities.

Credit Risk: If the Fund holds fixed income securities of an issuer that experiences financial problems, the securities will likely decline in value or the issuer may fail to make timely payments of interest or principal on the securities. Political, economic and other factors also may adversely affect the value of fixed income securities held by the Fund.

Liquidity Risk: Due to a lack of demand in the marketplace or other factors, the Fund may not be able to sell some or all of its investments promptly, or may only be able to sell investments at less than desired prices.

Foreign Investment Risk: The Fund invests in foreign securities and is subject to risks associated with foreign markets, such as adverse political, social, and economic developments, accounting standards or governmental supervision that is not consistent with that to which U.S. companies are subject, limited information about foreign companies, fluctuations in currency exchange rates, and less liquidity in foreign markets. These risks may be more pronounced for investments in developing countries.

Value Investing Risk: The Fund may incorrectly assess the value of companies or stocks selected for the Fund may not reach their anticipated full value. In addition, value funds may not perform as well as other funds when this style is out of favor with investors.

Growth Investing Risk: The Fund may incorrectly assess a company's potential for growth or the company may not grow as anticipated. In addition, growth funds may not perform as well as other funds when this style is out of favor with investors.

Catholic Values Investing Risk: Since the Fund practices socially responsible investing within the framework provided by the United States Conference of Catholic Bishops' Socially Responsible Investing Guidelines, the Fund may forego a profitable investment opportunity or sell a security when it may be disadvantageous to do so.

LKCM Partnerships

We provide investment advisory services to the LKCM Partnerships. The following section includes a summary of the investment objectives, principal investment strategies, and material risks associated with each LKCM Partnership. A description of the named material risks is included at the end of this section under "Description of Material Risks of the LKCM Partnerships."

The summaries of the investment objectives, principal investment strategies, and material risks provided below are necessarily limited and are presented for general informational purposes in accordance with regulatory requirements. Consequently, these summaries are in all instances qualified and superseded by the offering and organizational documents for the LKCM Partnerships. Additional information about the investment objectives, investment strategies, risks, and other terms and provisions of the LKCM Partnerships are contained in the offering and organizational documents for the LKCM Partnerships.

LKCM Investment Partnership, L.P.

Investment Objective(s): The partnership seeks to achieve long-term capital appreciation.

Principal Investment Strategies: The partnership seeks to achieve its investment objective by maintaining a long-biased portfolio primarily comprised of securities of publicly held companies. The partnership may engage in short selling for hedging purposes or to the extent we believe securities are overvalued. The partnership may also invest in securities of privately held companies or other illiquid investments, although the partnership expects that these investments generally will not exceed 10% of the long market value of the partnership's portfolio.

Material Risks: General Market and Economic Risk; Investment Selection Risk; Stock Market Risk; Illiquid Investments Risk; Micro-Cap Risk; Small-Cap and Mid-Cap Risk; Concentration Risk; Short Selling Risk; Foreign Investment Risk; Leveraging and Borrowing Risk; Counterparty Risk; Valuation Risk; Limited Liquidity Risk; In-Kind Distributions Risk; Management Risk; Compensation Risk; Tax Risk.

LKCM Investment Partnership II, L.P.

Investment Objective(s): The partnership seeks to achieve long-term capital appreciation.

Principal Investment Strategies: The partnership seeks to achieve its investment objective by maintaining a long-biased portfolio primarily comprised of securities of publicly held companies. The partnership may engage in short selling for hedging purposes or to the extent we believe securities are overvalued. The partnership may also invest in securities of privately held companies or other illiquid investments, although the partnership expects that these investments generally will not exceed 10% of the long market value of the partnership's portfolio.

Material Risks: General Market and Economic Risk; Investment Selection Risk; Stock Market Risk; Illiquid Investments Risk; Micro-Cap Risk; Small-Cap and Mid-Cap Risk; Concentration Risk; Foreign Investment Risk; Short Selling Risk; Leveraging and Borrowing Risk; Counterparty Risk; Valuation Risk; Limited Liquidity Risk; In-Kind Distributions Risk; Management Risk; Compensation Risk; Tax Risk.

LKCM Private Discipline (QP), L.P. / LKCM Private Discipline International, L.P.

Investment Objective(s): The partnerships seek to achieve long-term capital appreciation while attempting to manage portfolio risk and volatility.

Principal Investment Strategies: These partnerships seek to achieve their investment objective by investing substantially all of their assets in LKCM Private Discipline Master Fund, SPC ("PDP"), which has an investment objective identical to that of the partnerships. PDP seeks to achieve its investment objective primarily by buying or selling short equity, debt, and/or equity or debt equivalent investments in publicly traded and privately held entities. PDP generally limits concentration in any single company to 10% of its assets at the time of investment. PDP has discretion to invest up to 25% of its assets at the time of investment in the securities of a single issuer in compelling market environments or in pursuit of investments in private companies. PDP is not required to sell investments that appreciate above these concentration levels.

Material Risks: General Market and Economic Risk; Investment Selection Risk; Stock Market Risk; Illiquid Investments Risk; Micro-Cap Risk; Small-Cap and Mid-Cap Risk; Concentration Risk; Foreign Investment Risk; Short Selling Risk; Derivatives Risk; Leveraging and Borrowing Risk; Counterparty Risk; Valuation Risk; Limited Liquidity Risk; In-Kind Distributions Risk; Management Risk; Compensation Arrangements Risk; Tax Risks.

LKCM Long-Short Onshore Fund, L.P. / LKCM Long-Short Offshore Fund, L.P.

Investment Objective: The partnerships seek to generate returns that exceed the performance of the broader equity indices while attempting to manage portfolio risk and volatility.

Principal Investment Strategies: These partnerships seek to achieve their investment objective by investing substantially all of their assets in LKCM Long-Short Master Fund, L.P. ("L-S Fund"), which has an investment objective identical to that of the partnerships. L-S Fund seeks to take long and short positions in securities, although it generally maintains a long-biased portfolio. L-S Fund generally invests in publicly-traded equity securities with a wide range of market capitalizations. L-S Fund may invest up to 10% of its net asset value in privately offered and non-publicly traded securities. Long positions generally will not exceed 15% of L-S Fund's net

asset value and short positions generally will not exceed 5% of L-S Fund's net asset value. L-S Fund generally expects its leverage will not exceed a ratio of 2:1.

Material Risks: General Market and Economic Risk; Investment Selection Risk; Stock Market Risk; Illiquid Investments Risk; Micro-Cap Risk; Small-Cap and Mid-Cap Risk; Concentration Risk; Foreign Investment Risk; Short Selling Risk; Derivatives Risk; Leveraging and Borrowing Risk; Counterparty Risk; Valuation Risk; Limited Liquidity Risk; In-Kind Distributions Risk; Management Risk; Compensation Risk; Tax Risk.

LKCM Micro-Cap Partnership, L.P.

Investment Objective: The partnership seeks long-term capital appreciation.

Principal Investment Strategies: The partnership seeks to achieve its investment objective by buying and selling short securities of micro capitalization companies. The partnership generally defines micro capitalization companies as those companies with market capitalizations of less than \$500 million at the time of initial investment. The partnership is not required to sell securities of companies whose market values appreciate above this range. The partnership does not expect that any single investment will exceed 10% of its net asset value at the time of investment.

Material Risks: General Market and Economic Risk; Investment Selection Risk; Stock Market Risk; Illiquid Investments Risk; Micro-Cap Risk; Concentration Risk; Foreign Investment Risk; Short Selling Risk; Derivatives Risk; Leveraging and Borrowing Risk; Counterparty Risk; Valuation Risk; Limited Liquidity Risk; In-Kind Distributions Risk; Management Risk; Compensation Risk; Tax Risk.

LKCM Headwater Investments I, L.P.

Investment Objective: The partnership seeks long-term capital appreciation primarily through investments in portfolio companies.

Principal Investment Strategy: The partnership seeks to achieve its investment objective by primarily establishing controlling positions in lower middle-market companies. The partnership may also make other types of portfolio investments, including control positions in publicly-traded companies. The partnership generally seeks to make 10 to 15 platform investments, typically in the range of \$5 million to \$25 million of equity per investment. The partnership generally will not invest more than 20% of its capital commitments in a single portfolio investment. The minimum size of each portfolio investment will generally be at least 2% of the partnership's capital commitments.

Material Risks: General Market and Economic Risk; Investment Selection Risk; Stock Market Risk; Illiquid Investments Risk; Micro-Cap Risk; Small-Cap and Mid-Cap Risk; Concentration Risk; Derivatives Risk; Leveraging and Borrowing Risk; Counterparty Risk; Valuation Risk; Limited Liquidity Risk; In-Kind Distributions Risk; Management Risk; Compensation Risk; Tax Risk.

LKCM Technology Partnership, L.P.

Investment Objective: The partnership seeks long-term capital appreciation through investments in technology-related companies.

Principal Investment Strategies: The partnership seeks to achieve its investment objective by buying and selling short securities of technology-related companies. The partnership generally defines technology-related companies as companies engaged in offering, using, producing, selling, distributing or developing products, processes, or services that are expected to provide or benefit significantly from technological advances or improvements. The partnership may invest in technology-related companies through an unlimited range of securities and other financial instruments and products. The partnership may invest in securities of domestic or foreign publicly-traded companies with micro, small, mid or large capitalizations. The partnership may also invest up to 10% of its net assets in private companies. The partnership generally expects its leverage will not exceed a ratio of 1.25:1.

Material Risks: General Market and Economic Risk; Investment Selection Risk; Stock Market Risk; Illiquid Investments Risk; Micro-Cap Risk; Small-Cap and Mid-Cap Risk; Concentration Risk; Foreign Investment Risk; Short Selling Risk; Derivatives Risk; Leveraging and Borrowing Risk; Counterparty Risk; Valuation Risk; Limited Liquidity Risk; In-Kind Distributions Risk; Management Risk; Compensation Risk; Tax Risk; Technology-Related Companies Risk.

Descriptions of Material Risks of the LKCM Partnerships

General Market and Economic Risk: The value of the partnership's investments may decline due to changes in general economic and market conditions. The value of securities held by the partnership may change in response to developments affecting entire economies, markets or industries, such as inflation, changes in interest rates, political and legal developments, and general market volatility.

Investment Selection Risk: The performance of the partnership's investment program depends on our ability to select and size investments appropriately and correctly predict future price movements, economic and market conditions, and/or the value of securities and other investments. The value of the partnership's investments could be adversely affected by developments affecting the specific issuer of the security, even if the overall industry or economy is unaffected. These developments may include a variety of factors, such as management issues, political factors, a decline in revenues or profitability, a failure to meet earnings expectations, litigation, bankruptcy, an increase in operating or other costs, or an adverse effect on the issuer's competitive position.

Stock Market Risk: The partnership invests in equity securities and is subject to stock market risks and significant fluctuations in value. The partnership's investments in equity securities will typically focus on common stocks, preferred stocks, American Depositary Receipts (ADRs) and exchange-traded funds (ETFs). Common stocks generally are subordinate to the issuing company's debt securities, credit obligations and preferred stock upon the liquidation or bankruptcy of the issuing company. Preferred stocks generally are subordinated to the issuing company's debt securities and credit obligations upon the liquidation or bankruptcy of the issuing company. If interest rates rise, the dividend on preferred stocks may be less attractive, causing the price of preferred stocks to decline. Preferred stocks may have mandatory sinking fund provisions, as well as provisions for their call or redemption prior to maturity, which can have a negative effect on their prices when interest rates rise. ADRs are receipts issued by domestic

banks or trust companies that represent the deposit of a security of a foreign issuer and typically are publicly traded in the United States. Investments in ADRs are subject to certain of the risks associated with investing directly in foreign securities, including, but not limited to, currency fluctuations and political and financial instability in the home country of the issuer of the underlying ADR. ETFs are registered investment companies that hold a portfolio of equity securities designed to track the performance of a particular index. Investments in ETFs are subject to the various risks associated with investing in securities described herein as well as the risk that ETFs may not fully replicate the performance of the particular indexes which they are designed to track.

Illiquid Investments Risk: The partnership may hold investments that are illiquid or have no public trading market, or liquid investments may become illiquid in the future under certain market conditions. Any such investments may be difficult to sell or may be sold only at a substantial discount. If the size of the partnership is reduced through withdrawals, the illiquidity of the partnership's investments could increase, as liquid assets are sold to satisfy withdrawals while illiquid assets are retained.

Micro-Cap Risk: The partnership invests in securities of companies with micro capitalizations, which involve higher risks than investments in securities with small, mid or large capitalizations. For example, securities prices of micro capitalization companies are often more volatile than securities prices of small, mid, or large capitalizations companies. Investments in micro capitalization companies may be illiquid.

Small-Cap and Mid-Cap Risk: The partnership invests in securities of companies with small and mid capitalizations, which involve higher risks than investments in securities with large capitalizations. For example, securities prices of small and mid capitalization companies are often more volatile than securities prices of large capitalizations companies. Investments in small and mid capitalization companies may be illiquid.

Concentration Risk: The partnership's investments generally are not required to be diversified, and it is possible that the partnership's investments could be concentrated in only a few industries, companies, geographic regions, asset types, or strategies. This limited diversity could expose the partnership to losses disproportionate to market movements in general.

Short Selling Risk: The partnership's investments may include short sales. Short sales create the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the partnership of buying those securities to cover short positions. The partnership may be unable to cover short positions at or near prices quoted in the market. Purchasing securities to close out short positions can itself cause the price of the securities to rise further, thereby exacerbating losses.

Foreign Investment Risk: The partnership may invest in securities of foreign issuers, ADRs and/or ETFs that are designed to track the performance of foreign indexes. Investments in these securities are subject to a number of risks associated with foreign markets, such as adverse political, social, and economic developments, accounting standards or governmental supervision that is not consistent with that to which U.S. companies are subject, limited information about foreign companies, fluctuations in currency exchange rates, and less liquidity in foreign markets. These risks may be more pronounced for investments in developing countries.

Derivatives Risk: The partnership may invest in derivative instruments, such as options, futures, forward contracts, and swaps. Many derivatives provide exposure to potential gain or loss from a

change in the market price of a financial instrument in an amount that greatly exceeds the cash or assets required to establish or maintain the derivative. Accordingly, relatively small price movements in the underlying financial instrument may result in immediate and substantial losses to the partnership. Many derivatives are illiquid and involve exposure to the credit risk of the counterparty because they depend on the counterparty's ability to perform under the contract.

Leverage and Borrowing Risks: The partnership has the power to borrow funds and incur leverage. These borrowings may be secured by assets of the partnership. The use of leverage can maximize the losses to which the partnership may be subject. The use of margin and short-term borrowings creates risks for the partnership. If the value of the partnership's securities falls below the margin level required by its prime broker, additional margin deposits would be required. If the partnership is unable to satisfy any margin call by its prime broker, then the prime broker could liquidate some or all of the partnership's investment positions and cause the partnership to incur significant losses.

Counterparty Risks: The partnership may enter into transactions with third parties in which the failure or delay of the third party to perform its obligations could have an adverse effect on the partnership. The partnership's assets will generally be held in the name of its prime broker or its nominee, and the insolvency of the prime broker or its nominee may result in the loss of the partnership's assets.

Valuation Risks. Although the general partner of the partnership attempts to value the partnership's investments at fair value, the general partner's best judgment as to the fair value of any investment may not accurately reflect the prices at which the partnership could actually sell such investments, particularly illiquid investments. In valuing illiquid investments, the general partner generally determines the fair value of the partnership's investments based on a variety of valuation methodologies, which typically depend on subjective estimates and assumptions. A failure to properly value the partnership's assets could have an adverse effect on the returns earned by limited partners. All values assigned to assets and liabilities of the partnership by its general partner are conclusive and binding on all limited partners.

Limited Liquidity Risk: An investment in the partnership provides limited liquidity since the investment is not freely transferable. A limited partner generally has the right to withdraw amounts from its capital account only on a limited basis (if at all) in accordance with the terms of the partnership's offering documents.

In-Kind Distributions Risk: A withdrawing limited partner may, at the discretion of the general partner, receive securities owned by the partnership in lieu of, or in combination with, cash. The value of securities distributed in-kind may increase or decrease after the distribution is made and before the security is sold by the limited partner. The risk of loss and delay in liquidating these financial instruments will be borne by the limited partner, with the result that the limited partner may ultimately receive less cash than it would have received on the date of withdrawal if it had been paid in cash.

Management Risk: We actively manage investments in the partnership. The value of the partnership's investments may decline if we fail to correctly identify risks affecting the broad economy or specific markets, industries or companies in which the partnership invests, or if investments we select for the partnership fail to perform as anticipated.

Compensation Risk: We are entitled to receive management fees from the partnership, and the general partner of the partnership may be entitled to receive performance fees based on the

unrealized or realized net profits of the partnership, subject to certain limitations. Management fees could motivate us to gather more assets than we can manage effectively. Performance fees could motivate us, due to our affiliation with the general partner of the applicable partnership, to make investments that are riskier or more speculative than would be the case if such arrangements did not exist.

Tax Risk: The partnership intends to operate as partnership for U.S. federal tax purposes. If the partnership were taxable as a corporation, the partnership would be subject to U.S. federal income taxes on any taxable income at regular corporate tax rates and the limited partners would effectively be taxable as corporate shareholders. If the partnership conducts activities or does business in any state, the partnership and the limited partners may be subject to additional taxes and may be required to file state tax returns. The ability of limited partners to deduct certain losses generated by the partnership may be limited under the “at-risk” and “passive loss” limitations of applicable tax laws. Tax-exempt limited partners may be subject to “unrelated business taxable income” in connection with the partnership’s activities.

Technology-Related Companies Risk: Investments in technology-related companies are subject to a number of risks. For example, competition among technology-related companies may result in increasingly aggressive pricing of their products and services, which may affect the profitability of companies in the partnership’s portfolio. As a result, the partnership’s investments may be considerably more volatile than those of other partnerships that do not concentrate their investments in technology-related companies.

Co-Investment Partnerships

The investment objectives, principal investment strategies, and material risks associated with the Co-Investment Partnerships are set forth in their respective organizational documents. In addition, the Co-Investment Partners are also generally subject to the named material risks included above under “Description of Material Risks of the LKCM Partnerships.”

Sub-Advised Mutual Funds and Other Portfolios

We serve as the sub-advisor for unaffiliated mutual funds. Additional information about the investment objectives, investment strategies, risks, and other terms of these sub-advised mutual funds is contained in the prospectus and statement of additional information filed by the sub-advised mutual funds with the Securities and Exchange Commission.

We also provide investment sub-advisory services to unaffiliated investment advisors and trust companies for other portfolios. Additional information regarding the investment objectives, investment strategies, risks, and other terms of these sub-advised portfolios is available from the principal investment advisor or trust company for such portfolio and generally includes the named material risks included above under “Separately Managed Portfolios.”

ITEM 9 – DISCIPLINARY INFORMATION

Not applicable.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

LKCM Funds

We serve as the investment advisor to the LKCM Funds, a registered investment company comprised of eight funds. Under our investment advisory agreement with the LKCM Funds, we charge each Fund a management fee at a specified annual percentage rate of the Fund's average daily net assets. These management fees are calculated at annualized rates ranging from 0.50% to 1.00% of each Fund's average daily net assets and are paid quarterly in arrears. We have agreed to waive our management fees and/or reimburse expenses for each Fund in order to maintain a designated expense ratio for each Fund. Each Fund also pays other fees and expenses in addition to our management fees, such as distribution fees and expenses, administrative fees and expenses, custodial and transfer agent fees and expenses, accounting and professional fees and expenses, and other operating expenses.

Several of our employees serve as officers of the LKCM Funds:

- J. Luther King, Jr. – Trustee, President and Chief Executive Officer
- Steven R. Purvis – Trustee and Vice President
- Paul W. Greenwell – Vice President
- Jacob D. Smith – Chief Financial Officer and Chief Compliance Officer
- Richard Lenart – Secretary and Treasurer

We, along with our principals, employees and affiliates, are shareholders of the LKCM Funds. We therefore may have an incentive to favor the LKCM Funds over other client portfolios, such as by allocating more profitable investments or opportunities to the LKCM Funds or by devoting more resources to the LKCM Funds.

Additional information regarding our investment advisory services to the LKCM Funds is included in the prospectus and statement of additional information for each Fund filed with the Securities and Exchange Commission.

LKCM Partnerships

We serve as the investment advisor to the LKCM Partnerships and receive management fees for providing investment advisory services to the LKCM Partnerships. Our affiliates serve as the general partners of the LKCM Partnerships and, subject to certain limitations, may receive performance fees based on the unrealized or realized net profits of the LKCM Partnerships (other than LKCM Investment Partnership, L.P. and LKCM Investment Partnership II, L.P., for which no performance fees are charged). These management fees and performance fees may exceed the compensation we receive for providing investment advisory services to other client portfolios. We and/or our principals, employees and affiliates are limited partners of the LKCM Partnerships. We may offer advice to qualified existing and prospective clients regarding investing in the LKCM Partnerships. We and/or our affiliates or related persons may receive management, performance, oversight, board, administrative or similar fees in connection with advisory, management, monitoring, administrative or similar services that we and/or our affiliates or related persons provide to portfolio companies of the LKCM Partnerships. These relationships create potential conflicts of interest because we may have a financial incentive to favor the LKCM Partnerships over other client portfolios.

Additional information regarding our investment advisory services to, and potential risks and conflicts of interest associated with, the LKCM Partnerships is included in the offering and organizational documents for the LKCM Partnerships.

Co-Investment Partnerships

We and/or our affiliates or related persons serve as the general partners or managing members of the Co-Investment Partnerships. We and/or our affiliates or related persons may receive management, performance, oversight, board, administrative or similar fees in connection with advisory, management, monitoring, administrative or similar services that we and/or our affiliates or related persons provide to the Co-Investment Partnerships or their portfolio companies. These fees may exceed the compensation we receive for providing investment advisory services to other client portfolios. We and/or our principals, employees and affiliates are investors in the Co-Investment Partnerships. We may offer advice to qualified existing and prospective clients regarding investing in the Co-Investment Partnerships. These relationships create potential conflicts of interest because we may have a financial incentive to favor the Co-Investment Partnerships over other client portfolios.

Additional information regarding the Co-Investment Partnerships is included in the organizational documents for the Co-Investment Partnerships.

Sub-Advised Mutual Funds and Other Portfolios

We serve as sub-advisor to unaffiliated mutual funds that are registered under the Investment Company Act of 1940 and to unaffiliated investment advisors or trust companies for other portfolios. We provide investment advisory services to each sub-advised mutual fund based on the investment objectives, policies and restrictions contained in the prospectus and statement of additional information it files with the Securities and Exchange Commission. We provide investment advisory services to each of these sub-advised portfolios based on the underlying client's investment objectives, goals, restrictions, tax status and risk profile communicated to us by the primary investment advisor.

Outside Directorships

Some of our employees serve as directors or trustees of publicly-held companies, privately-held companies, and/or non-profit organizations. Our investment management agreement with you generally grants us discretionary authority to purchase a wide range of securities on your behalf, including securities of companies for which our employees may serve as directors or trustees. These relationships create potential conflicts of interest because we may have a financial interest in, or have an incentive to devote more resources to, companies or organizations for which our employees serve as directors or trustees.

Potential Conflicts of Interest

Our investment advisory and other services for the LKCM Funds, the LKCM Partnerships and the Co-Investment Partnerships create potential conflicts of interest. These potential conflicts of interest are further described in *Item 5 – Fees and Compensation*, *Item 6 – Performance-Based Fees and Side-by-Side Management*, *Item 10 – Other Financial Industry Activities and Affiliations*, *Item 11 – Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading*, and *Item 12 – Brokerage Practices* of this brochure.

ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

We have adopted a code of ethics in accordance with rules adopted by the Securities and Exchange Commission under the Investment Advisers Act of 1940. Our code of ethics reflects the principle that our employees owe a fiduciary duty of care, loyalty and good faith to our clients. Our code of ethics also provides that our employees must comply with applicable federal securities laws and may not engage in any act, practice or course of conduct that operates as a fraud or deceit upon our clients.

In general, our code of ethics contains policies and procedures that require our employees to:

- pre-clear their trades in reportable securities, excluding certain exempted transactions;
- identify their brokerage or securities accounts to us;
- report their securities transactions and holdings to us on a periodic basis;
- certify their compliance with our code of ethics on a periodic basis;
- provide us with their trade confirmations and account statements; and
- report any actual or suspected violations of the code of ethics to us.

Our code of ethics is available to existing and prospective clients upon request. To receive a copy of our code of ethics, please contact:

Jacob D. Smith
Luther King Capital Management Corporation
301 Commerce Street, Suite 1600
Fort Worth, Texas 76102
Telephone No.: (817) 332-3235
E-mail: jsmith@lkcm.com

Participation or Interest in Client Transactions

We serve as the investment advisor to the LKCM Funds, a registered investment company consisting of eight funds. We serve as the investment advisor for the LKCM Partnerships, and our affiliates serve as the general partners of the LKCM Partnerships. We and/or our affiliates or related persons serve as the general partners or managing members of the Co-Investment Partnerships. In these capacities, we may receive management fees from the LKCM Funds, the LKCM Partnerships and/or the Co-Investment Partnerships and, subject to certain limitations, the general partners or managing members of the LKCM Partnerships and the Co-Investment Partnerships, which are our affiliates or related persons, may receive performance fees based on the unrealized or realized net profits of the LKCM Partnerships (other than LKCM Investment Partnership, L.P. and LKCM Investment Partnership II, L.P., for which no performance fees are charged) or certain Co-Investment Partnerships. We and/or our principals, employees and affiliates are shareholders of the LKCM Funds and/or investors in the LKCM Partnerships and Co-Investment Partnerships. We may offer advice to qualified existing and prospective clients regarding investing in the LKCM Funds, LKCM Partnerships or Co-Investment Partnerships. These relationships create potential conflicts of interest because we may have a financial incentive to favor the LKCM Funds, the LKCM Partnerships or the Co-Investment Partnerships over other client portfolios. We furnish prospective investors with offering documents, organizational documents and other information concerning the LKCM Partnerships or the Co-Investment Partnerships for their consideration when making a decision to invest in the LKCM Partnerships or the Co-Investment Partnerships, as

applicable. We also provide prospective investors with an opportunity to ask us questions prior to investing in the LKCM Partnerships or the Co-Investment Partnerships.

Personal Trading

We and our principals, employees or affiliates may purchase or sell for our own portfolios the same securities that we purchase or sell for client portfolios. We may also recommend that our clients purchase or sell the same securities that we and/or our principals, employees or affiliates may purchase or sell for our own portfolios. We and/or our principals, employees or affiliates may purchase or sell securities for our own portfolios at the same or different times as client portfolios. We and/or our principals, employees or affiliates may also purchase or sell securities for our own portfolios while selling or purchasing the same securities for client portfolios. These practices create potential conflicts of interest because we and/or our principals, employees and affiliates may have an incentive to favor our own portfolios over client portfolios. We believe that we have implemented policies and procedures that are reasonably designed to mitigate these potential conflicts of interest. For example, our code of ethics contains policies and procedures for pre-clearing reportable transactions in securities that may be purchased or sold for client portfolios.

ITEM 12 – BROKERAGE PRACTICES

Brokerage Discretion and Best Execution

In most cases, our investment management agreement with you grants us the authority to select the brokers through which your trades are executed and to determine the commission rates to be paid to these brokers. We may consider several factors when selecting brokers to execute your trades, including:

- the quality of executions and liquidity provided by the broker;
- the ability of the broker to maintain confidentiality of client orders and order flow;
- the ability of the broker to minimize impact for client transactions;
- the commission rates charged by the broker in comparison to the rates charged by other brokers for similar transactions;
- the research and brokerage services provided by the broker;
- the broker's ability to obtain timely, accurate and cost-effective executions;
- the ability of the broker to accurately communicate the nature of the market in a particular security;
- the broker's execution policies and commitment to providing best execution;
- the frequency and amount of price improvement typically provided by the broker;
- the size and volume of the broker's order flow;
- the efficiency and accuracy of the broker's operations with regarding to settlement procedures; and
- whether or not you have provided us instructions that some or all of your trades be directed to a broker of your choice for execution.

Research and Soft Dollar Benefits

We may execute trades for your portfolio with brokers that provide us with research and brokerage services at no out-of-pocket cost to us, and our receipt of the research or brokerage products and services may be a factor in our selection of brokers to execute transactions for your portfolio. Our use of commissions generated from your securities transactions to acquire research and brokerage products and

services is generally referred to as “soft dollars.” During our last fiscal year, we acquired the following research and brokerage products and services using soft dollars:

- analyses, reports, financial publications, and other information regarding the economy, markets, industries, securities, companies and portfolio strategy;
- access to securities and industry analysts and corporate executives;
- seminars and conferences related to markets, industries, securities and companies;
- market and economic data and other technical and quantitative information about markets, industries, securities and companies; and
- order routing, trade settlement, and quotation services.

The research and brokerage products and services that we receive are considered to be both proprietary and third-party in nature. Proprietary research and brokerage products and services are created, developed and provided by the broker executing the trades for which soft dollars are generated. Third-party research and brokerage products and services are created and developed by a third-party but provided by the broker executing the trades for which soft dollars are generated.

Our use of soft dollars creates conflicts of interest. When we use client commissions to acquire research and brokerage products and services, we do not have to produce or pay for the research and brokerage products and services with our assets. We may have an incentive to select, use or recommend a broker based on our interest in receiving research or brokerage products and services, rather than on your interest in receiving most favorable execution. We believe that the research and brokerage products and services provided by the brokers benefit our investment decision-making process and client portfolios. When we use client commissions to obtain research and brokerage products and services, we may pay commissions to brokers for your transactions that may be higher than those charged by another broker for the same transactions. The soft dollar credits that we use to purchase eligible research and brokerage products and services are generally calculated based on the difference between the per share commission rate charged by the executing brokers and the per share execution-only rate charged by the executing brokers.

We generally use research and brokerage products and services acquired with soft dollars to service all of our clients, rather than those whose commissions pay for the products and services. We do not seek to allocate these soft dollar benefits among client portfolios proportionately to the soft dollar credits the portfolios generate because we believe that, in the aggregate, they benefit all clients and assist us in providing investment advisory services to clients. You may benefit from the research and brokerage products and services that we receive even if your portfolio prohibits soft dollar transactions.

We also participate in “commission sharing arrangements” under which we receive credits from certain brokers that execute transactions for client portfolios. We use these credits to purchase research products and services from the executing brokers, other brokers, or third parties that provide the products and services. We believe these arrangements benefit our investment decision-making process and client portfolios. The commission sharing arrangement credits that we use to purchase eligible research and brokerage products and services are generally calculated based on the difference between the per share commission rate charged by the executing brokers and the per share execution-only rate charged by the executing brokers.

We have adopted policies and procedures in an effort to mitigate conflicts of interest associated our use of soft dollars. Under our policies and procedures, the research and brokerage products and services we receive through soft dollars must satisfy the following conditions:

- the research and brokerage products and services must be eligible under Section 28(e) of the Securities Exchange Act of 1934;
- our use of the research and brokerage products and services must provide us with lawful and appropriate assistance in connection with the performance of our investment decision-making responsibilities; and
- we must determine in good faith that the amount of commissions paid to a broker for a soft dollar arrangement is reasonable in light of the value of the products and services provided by the broker (either in terms of a particular transaction or our overall responsibility with respect to portfolios for which we exercise investment discretion).

Our soft dollar arrangements are reviewed at least annually by our Brokerage and Compliance Committee, and our commission sharing arrangements are reviewed at least annually by our Commission Sharing Arrangement Committee.

Some of the research and brokerage products and services we use are considered “mixed-use.” Mixed-use products and services are those that qualify as eligible research or brokerage products and services under Section 28(e) of the Securities Exchange Act of 1934, but which are being used for both eligible purposes (such as assisting our investment decision-making responsibilities) and ineligible purposes (such as marketing). We make a good faith allocation of the mixed-use of these products and services and pay soft dollars for the eligible portion and our assets for the ineligible portion. Our mixed-use allocations are reviewed at least annually by our Brokerage and Compliance Committee. Although we believe our allocations of mixed-use products and services are reasonable and made in good faith, this creates a potential conflict of interest because we have an incentive to make mixed-use allocations that benefit our soft dollar arrangements.

Client-Directed Brokerage Arrangements

You may provide us with instructions to direct your securities transactions to a broker of your choice for execution. If so, we generally will not be able to negotiate commissions or achieve most favorable execution of your securities transactions. Accordingly, clients with client-directed brokerage arrangements may pay higher commission costs or realize less favorable prices on securities transactions than those clients for which we have authority to select brokers.

We generally will not aggregate orders for clients with client-directed brokerage arrangements with those for clients without such arrangements. In these instances, we generally execute transactions for clients without such arrangements prior to executing transactions for clients that have these arrangements. As a result, clients with client-directed brokerage arrangements may be exposed to unfavorable market movements or may otherwise realize less favorable prices on securities transactions than those clients for which we have authority to select brokers.

Directed Brokerage Practices

We may execute your securities transactions through brokers that have entered distribution or selling agreements with the LKCM Funds or other investment companies for which we serve as sub-advisor. Although we prohibit the practice of directing brokerage to brokers to finance the distribution of shares of the LKCM Funds and such other investment companies, a potential conflict of interest exists because we may have an incentive to direct brokerage to brokers for such purposes.

Trade Allocation and Aggregation

We manage your portfolio based on your investment objectives, guidelines, restrictions, tax status and risk profile, which may overlap with those of other clients. Although we generally execute securities transactions on behalf of our clients on a first-in, first-out basis, we generally have authority to aggregate purchase and sale orders for a particular security in your portfolio with orders of other clients. This may enable us to prevent information leakage by directing the entire order to a particular broker, take advantage of the larger order size to interact with larger buyers and sellers, reduce our footprint in the market, negotiate better transaction prices, and/or reduce transaction costs.

We have adopted policies and procedures for aggregating and allocating client securities transactions. If each client participating in an aggregate order receives its full allocation, then each participating client generally receives the average price per share paid or received for the purchased or sold securities with transaction costs shared pro rata among participating clients. If each client participating in an aggregated order receives less than its full allocation, then each participating client generally receives its pro rata share of the executed order with transaction costs shared proportionately. Under certain circumstances, we have discretion to use alternative allocation procedures if all participating clients are treated fairly and equitably. The circumstances under which we may use alternative allocation procedures include when:

- a pro rata allocation would result in one or more participating clients receiving an odd lot of securities;
- a pro rata allocation would increase transaction costs for certain participating clients;
- a pro rata allocation would be inconsistent with a participating client's investment guidelines, available cash, or liquidity requirements; or
- an alternative allocation is necessary to achieve or restore appropriate weighting in a security for participating clients.

The LKCM Funds, the LKCM Partnerships and other portfolios in which we and/or our principals, employees or affiliates may have a financial interest may participate in aggregated orders. This creates a potential conflict of interest because we may have an incentive to allocate trades to the LKCM Funds, the LKCM Partnerships or these other portfolios instead of our other clients.

We participate in model portfolio programs established by unaffiliated sponsors for our equity and small-mid cap investment strategies. Under our agreements with the sponsors of these programs, we communicate model equity portfolios to the sponsors on a rotational basis with the execution of trades for clients invested in our investment strategies. Depending on the timing of these communications, the sponsors may execute trades for their clients before we execute trades for applicable clients, which could result in applicable clients realizing less favorable prices on securities transactions than those that would have been obtained if we did not participate in such programs.

Step-Outs

We generally have authority to use step-out procedures when executing securities transactions for your portfolio. In these circumstances, we may direct one or more executing brokers to allocate portions of your trades to other brokers for clearance or settlement to accommodate your commission recapture arrangements, if any, or to obtain soft dollar benefits.

IPO Allocations

Our policies and procedures for allocating initial public offerings of equity securities among our clients are described below.

- Micro-Cap IPOs – Micro-Cap IPOs consist of initial public offerings of companies with an estimated market capitalization of less than \$400 million based on the offering price. We allocate Micro-Cap IPOs to eligible LKCM Partnerships.
- Small-Cap IPOs – Small-Cap IPOs consist of initial public offerings of companies with an estimated market capitalization between \$400 million and \$1 billion based on the offering price. We allocate Small-Cap IPOs among portfolios that meet the following requirements: the portfolio has a market value of at least \$10 million, the principal investment strategy for the portfolio is investing in small cap companies, and the portfolio does not have client-directed brokerage arrangements. Eligible LKCM Funds and LKCM Partnerships may also participate in Small-Cap IPOs. Each Small-Cap IPO is allocated on a rotational basis, with each eligible portfolio receiving a 0.5% portfolio weighting of the Small-Cap IPO until the securities have been fully allocated. This process is repeated for each Small-Cap IPO, each time beginning with the next eligible portfolio.
- Small-Mid Cap IPOs – Small-Mid Cap IPOs consist of initial public offerings of companies with an estimated market capitalization range between \$1 billion and \$2.5 billion based on the offering price. We allocate Small-Mid Cap IPOs among portfolios that meet the following requirements: the portfolio has a market value of at least \$10 million, the principal investment strategy for the portfolio is investing in small cap and/or mid cap companies, and the portfolio does not have client-directed brokerage arrangements. Eligible LKCM Funds and LKCM Partnerships may also participate in Small-Mid Cap IPOs. Each Small-Mid Cap IPO is allocated on a rotational basis, with each eligible portfolio receiving a 0.5% portfolio weighting of the Small-Mid Cap IPO until the securities have been fully allocated. This process is repeated for each Small-Mid Cap IPO, each time beginning with the next eligible portfolio.
- Large-Cap IPOs – Large-Cap IPOs consist of initial public offerings of companies with an estimated market capitalization over \$2.5 billion based on the offering price. We allocate Large-Cap IPOs among equity and balanced portfolios that meet the following requirements: the portfolio has a market value of at least \$20 million, the portfolio is non-taxable, and the portfolio does not have client-directed brokerage arrangements. Eligible LKCM Funds and LKCM Partnerships may also participate in Large-Cap IPOs. Each Large-Cap IPO is allocated on a rotational basis, with each eligible portfolio receiving a 0.5% portfolio weighting of the Large-Cap IPO until the securities have been fully allocated. This process is repeated for each Large-Cap IPO, each time beginning with the next eligible portfolio.

Portfolio managers for eligible portfolios have discretion to decline allocations of initial public offerings based upon the client's investment guidelines, objectives, restrictions, cash requirements, or other factors. Under these circumstances, declined allocations are generally presented to the portfolio manager for the next eligible portfolio. We determine portfolios eligible to participate in initial public offerings on a quarterly basis.

Trade Errors

On occasion, a trade error may occur in a client portfolio that results in a loss or profit to the client. If a trade error occurs that results in a loss for a client portfolio, we will correct the trade error and we or the broker responsible for the trade error will bear the full amount of the loss. If a trade error occurs that results in a gain for a client portfolio, we will correct the trade error and the gain will be credited to the client portfolio.

ITEM 13 – REVIEW OF ACCOUNTS

Reviews

Our portfolio managers and analysts meet periodically to review our investment strategies, general economic and market conditions and developments, specific companies and investment ideas, and security-specific issues. Our portfolio managers regularly review and monitor investment performance, securities holdings, sector weightings, asset allocations, and other portfolio characteristics for client portfolios. Our administrative personnel regularly perform reconciliations, affirm trades, and perform other administrative activities for client portfolios. Our portfolio managers periodically review and monitor client portfolios for adherence to the portfolio's investment strategy and guidelines. Client portfolios may be reviewed on a more frequent basis depending on a variety of factors, such as changes in market, political or economic conditions, contributions or withdrawals of cash from a portfolio, changes in the portfolio's investment objectives, guidelines or restrictions, or meetings with clients.

Reports

We provide the following reports for separately managed portfolios, the LKCM Funds, and the LKCM Partnerships:

- **Separately Managed Portfolios** – On a quarterly basis, we provide a written portfolio review letter, portfolio statement, and economic outlook. The portfolio review letter is written by the portfolio manager for the portfolio and generally discusses portfolio performance and asset allocations. The portfolio statement generally identifies the positions held in the portfolio at the end of the quarter and summarizes the unrealized gains and losses and income generated by the portfolio during the quarter. The economic outlook generally provides our assessment of historical economic and market conditions as well as our expectations concerning future economic and market conditions. If clients request other written reports, we generally provide those reports at the intervals requested by clients. We also provide written reports and presentations to clients during scheduled client meetings. Clients will also receive quarterly or monthly statements from their custodians, and we urge clients to compare our portfolio statements with those received from their custodians.
- **LKCM Funds** – Each Fund provides its shareholders with a written annual report to shareholders, semi-annual report to shareholders, prospectus, and statement of additional information. Each Fund may also provide additional written reports to shareholders as required by applicable federal securities laws, as described in its prospectus or statement of additional information, or as determined by the board of trustees for such Fund.
- **LKCM Partnerships** – Each LKCM Partnership typically provides a written performance letter and account statement to its limited partners on a quarterly basis. Each LKCM

Partnership also provides audited financial statements to its limited partners on an annual basis. Each LKCM Partnership also provides limited partners with other written reports and information specified in its offering or organizational documents or as determined by the general partner of such LKCM Partnership.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

We participate in the Schwab Advisor Network program sponsored by Charles Schwab & Co., Inc. (“Schwab”) and compensate Schwab for referrals received through the program. Schwab is a broker-dealer independent of and unaffiliated with us, and Schwab is not responsible for our management of client portfolios. We generally pay Schwab a tiered quarterly participation fee based on a percentage of the value of assets held in Schwab custodial accounts of certain clients and their family members that are referred to us by Schwab. Except under certain circumstances, we are also required to pay Schwab a one-time transfer fee based on the value of assets that are transferred by certain referred clients and their family members to accounts maintained with custodians other than Schwab. The one-time transfer fee may exceed the participation fees for applicable referred client portfolios. Referred clients and their family members are not responsible for paying these fees, which we pay directly to Schwab using our own resources. We do not charge extra management fees on client portfolios solely because they were referred to us through the program. Our participation in the program creates a potential conflict of interest because we have an incentive to encourage referred clients and their family members to maintain their custodial accounts with Schwab. Our participation in the program does not affect our duty to seek best execution for referred clients as further described in this brochure. We may also recommend that non-program clients also maintain their custodial accounts with Schwab. Schwab generally does not charge our clients separately for custodial account fees, but instead is compensated through commissions or other transaction-related fees for securities transactions executed through Schwab.

We may pay compensation from our own resources to financial intermediaries in connection with the distribution and sale of shares of the LKCM Funds and as compensation for shareholder-related services, including administrative, recordkeeping and shareholder communications services. We may also pay compensation to financial intermediaries to make shares of the LKCM Funds available to investors through fund platforms or similar programs or for services provided in connection with these platforms or similar programs. These payments generally benefit us and the LKCM Funds by providing financial intermediaries with an incentive to recommend sales of shares of the LKCM Funds over other potential investments. We may be reimbursed by Quasar Distributors, LLC, the principal underwriter for the LKCM Funds, for eligible portions of the compensation that we pay pursuant to distribution plans and selling agreements adopted by the LKCM Funds pursuant to Rule 12b-1 under the Investment Company Act of 1940.

We have entered into a servicing agreement with an affiliate that is wholly owned by us and certain of our supervised employees. Under the agreement, we compensate the affiliate for non-advisory business development, marketing and client relationship services provided by these employees, which compensation is subject to certain conditions and is based on the profitability of our operations with which these employees are associated. A potential conflict of interest exists because we or these employees may have an incentive to provide investment advisory services or make recommendations or provide non-advisory services under the servicing agreement that could impact the compensation payable under the servicing agreement.

ITEM 15 – CUSTODY

We do not have physical custody of your assets or provide custodial services to you. In order to use our services, you must establish a custodial account with a qualified custodian, such as a bank, brokerage firm, or trust company. You should receive statements directly from your custodian at least quarterly. We also provide our portfolio statements to you on a quarterly basis. We urge you to review your custodial statements carefully and compare them to the portfolio statements that we provide you. The information in your custodial statements and the statements that we provide you may differ based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Your custodial statement is the official record of your portfolio for tax purposes. Please contact us if you do not receive timely account statements from your custodian.

Although we do not have physical custody of your assets, we may be deemed to have custody over your portfolio under the federal securities laws because our investment management agreement typically permits us to deduct management fees from your portfolio. In this case, we submit an invoice for our management fees directly to your custodian, and we send you a quarterly statement identifying the amount of the management fee and the manner in which it was calculated.

Although the securities and assets of the LKCM Partnerships and Co-Investment Partnerships are held with a qualified custodian, we may be deemed to have custody over these securities and assets because our affiliates or related persons serve as the general partners or managing members of the LKCM Partnerships and Co-Investment Partnerships. Investors in the LKCM Partnerships and Co-Investment Partnerships will not receive statements from the custodians of the LKCM Partnerships or the Co-Investment Partnerships. Instead, the LKCM Partnerships and Co-Investment Partnerships are subject to annual audit by independent public accounting firms that are registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. These audited financial statements are prepared in accordance with generally accepted accounting principles and distributed to investors of the LKCM Partnerships and the Co-Investment Partnerships on an annual basis.

ITEM 16 – INVESTMENT DISCRETION

We provide discretionary investment management services to our clients. This means that we may make investment decisions for your portfolio without your consent, such as determining the securities to be bought or sold for your portfolio, the broker to be used for such purchases or sales, and the commission rates to be paid to brokers for such purchases or sales.

You may limit our discretionary authority by providing written instructions to us. For example, you may restrict our ability to purchase securities of selected companies on your behalf or you may provide us with socially responsible investment restrictions for your portfolio.

We do not provide legal advice or act on behalf of our clients in connection with any legal proceedings, such as class actions or bankruptcies, involving companies whose securities are held or were previously held in client portfolios. Although we may assist clients on these matters, clients must ultimately determine whether or not to participate in any such legal proceedings.

ITEM 17 – VOTING CLIENT SECURITIES

Our investment management agreement with you generally provides that we will vote proxies for securities held in your portfolio according to our proxy voting policy. Under our policy, we have engaged Institutional Shareholder Services, Inc. (“ISS”) as our proxy voting administrator. As our proxy voting administrator, ISS provides the following services to us with respect to proxy voting:

- research and make proxy vote recommendations;
- vote and submit proxies in a timely manner;
- maintain records of proxy statements and provide copies upon request;
- maintain records of proxy votes cast; and
- handle other administrative functions of proxy voting.

Our proxy voting policy generally provides that we will vote proxies consistent with the ISS voting guidelines in effect at the time of the applicable proxy vote. If the ISS voting guidelines do not address how a proxy should be voted, we will vote the proxy consistent with any recommendations that ISS has provided. We may vote proxies in a manner that is inconsistent with the ISS voting guidelines if we determine that doing so is in your best interest and is not the result of a material conflict of interest. Conflicts of interest may arise in the proxy voting process. If we determine that a material conflict of interest exists with respect to any particular proxy solicitation, we will seek to resolve the conflict by one of the following:

- if ISS makes a voting recommendation for the solicitation, we will not take any action and the proxy will be voted based on the ISS voting recommendation;
- we may disclose the conflict to you and obtain written direction from you on how to vote the proxy;
- we may engage another party to determine how to vote the proxy; or
- we may engage an independent third party to determine how to vote the proxy.

We will accept proxy voting instructions from you with respect to particular proxy solicitations. We will not vote proxies for you if you withhold this authority under our investment management agreement with you or if you provide proxy voting instructions to us. If you withhold proxy voting authority from us, you should make arrangements with your custodian to directly receive your proxy solicitations. We will not vote proxies for you if you engage in a securities lending program through your custodian and the applicable securities were loaned by you on the record date for the proxy. In addition, we will not vote proxies for you if we do not receive a meeting notice in sufficient time to enable us to process your proxy.

You may obtain a copy of our proxy voting policy, information regarding votes we cast with regards to securities in your portfolio, or information about specific proxy solicitations by contacting us at:

Luther King Capital Management Corporation
301 Commerce Street, Suite 1600
Fort Worth, Texas 76102
Attn: Jacob D. Smith
Telephone No.: (817) 332-3235
E-mail: jsmith@lkcm.com

ITEM 18 – FINANCIAL INFORMATION

Not applicable.