



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

In July 2010, the Securities and Exchange Commission amended Part 2 of Form ADV. Part 2 of Form ADV contains the minimum requirements for the disclosure statement that investment advisors must deliver to their existing and prospective clients. This brochure was prepared in accordance with the amendments to Part 2 of Form ADV adopted by the Securities and Exchange Commission.

We must update the information in our brochure at least annually. In the future, Item 2 of our brochure will reference the date of our previous brochure and include a summary of the material changes that we have made to our brochure since the previous update. In the future, in lieu of providing our existing clients with an updated brochure each year, we may provide our existing clients with Item 2 of our brochure to describe any material changes occurring since the last annual update of the brochure. We will deliver a brochure or Item 2 each year to existing clients within 120 days after the end of our fiscal year. Clients wishing to receive a complete copy of our brochure may obtain the brochure at no charge by contacting our Chief Compliance Officer at (817) 332-3235 or by sending an email to jsmith@lkcm.com.

ITEM 3 – TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Item 1 – Cover Page..... | 1 |
| Item 2 – Material Changes | 2 |
| Item 3 – Table of Contents..... | 3 |
| Item 4 – Advisory Business | 4 |
| Item 5 – Fees and Compensation | 6 |
| Item 6 – Performance-Based Fees and Side-By-Side Management | 10 |
| Item 7 – Types of Clients | 11 |
| Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss..... | 13 |
| Item 9 – Disciplinary Information | 28 |
| Item 10 – Other Financial Industry Activities and Affiliations | 28 |
| Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading | 29 |
| Item 12 – Brokerage Practices | 31 |
| Item 13 – Review of Accounts..... | 35 |
| Item 14 – Client Referrals and Other Compensation | 36 |
| Item 15 – Custody | 36 |
| Item 16 – Investment Discretion | 37 |
| Item 17 – Voting Client Securities..... | 37 |
| Item 18 – Financial Information | 38 |

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 all of the stock of Southwest JLK Corporation, with J. Luther King, Jr. owning 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. We have 60 employees, including 31 investment professionals with many educational and professional designations, including CFA, MBA and CPA. As of March 31, 2011, our assets under management were \$8,874,152,184, of which \$8,785,937,781 we managed on a discretionary basis and \$88,214,403 we managed on a non-discretionary basis.

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

- separately managed accounts 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 nine funds (each, a “Fund,” and together, the “LKCM Funds”);
- unaffiliated registered investment companies;
- affiliated private investment funds (“LKCM Partnerships”); and
- unified managed account programs (“UMA Programs”).

Separately Managed Accounts

We manage equity, small cap, small-mid cap, fixed income, and balanced separate accounts for taxable and non-taxable clients. Our investment objective for separately managed accounts 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 accounts.

LKCM Funds

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

- LKCM Equity Fund;
- LKCM Small Cap Equity Fund;
- LKCM Small-Mid Cap Equity Fund;

- LKCM Balanced Fund;
- LKCM Fixed Income Fund;
- LKCM International 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 documents for each LKCM Partnership.

Other Registered Investment Companies

We serve as a sub-advisor to non-affiliated mutual funds that are registered under the Investment Company Act of 1940. We provide investment advisory services to each of these mutual funds based on the investment objectives, policies and restrictions contained in the prospectus and statement of additional information for each of these mutual funds filed with the Securities and Exchange Commission.

UMA Programs

We serve as an investment manager under UMA Programs established by unaffiliated sponsors. We provide a model portfolio to the sponsor of a UMA Program for one of our investment strategies to assist the sponsor in managing its client accounts. We also provide discretionary investment advisory services to a client of a sponsor of another UMA Program.

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 and/or the LKCM 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 Accounts

| <u>Strategy</u> | <u>Taxable Portfolios</u> | <u>Non-Taxable 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 \$3 million 0.35% on the next \$5 million 0.25% over \$10 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 \$3 million 0.35% on the next \$5 million 0.25% over \$10 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 accounts:

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

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

a direct or indirect interest. Our management fees may be adjusted or otherwise negotiated in our discretion.

Unless we agree otherwise, our investment management agreements generally provide that you must pay management fees to us quarterly in advance. Our investment management agreements 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 pre-paid management fees, prorated to the date of termination.

Our management fees for separately managed accounts are generally based on the market value of assets in the account as of the close of business on the last trading day of the most recent calendar quarter. When calculating management fees, we generally value securities at their closing price on the principal exchanges on which the securities are traded, and we generally value other securities at their fair market value as determined by us in good faith. We use pricing information supplied by an independent pricing service to assist us in valuing securities for purposes of calculating our management fees and performance results. Our valuations may be higher or lower than the valuations calculated by your custodian. Our management fees and performance results are based on our valuations of securities for your account.

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 account. Under these circumstances, we will exclude the value of shares of these mutual funds held in your account when calculating your management fees. However, we will include the value of shares of non-affiliated mutual funds, money market funds, and exchange-traded funds held in your account when calculating your management fees.

Under our investment management agreement with you, we generally will deduct management fees from your account 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 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 account. *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 account, 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 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 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 net asset value of the partnership, calculated monthly and payable quarterly in advance. We have voluntarily agreed to reduce these management fees to 1.5% per annum of the net asset value of the partnership until further notice. The general partner of the partnership may receive performance fees of up to 20% of the net profits of the partnership, 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 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 net profits of the partnership, subject to certain limitations.

- LKCM Headwater Investments I, L.P. – we receive management fees of 2% per annum of the aggregate capital commitments or invested capital of the partnership, as applicable, calculated and payable quarterly in advance. The general partner of the partnership may receive performance fees of up to 20% of the net proceeds 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 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. The general partners of applicable LKCM Partnerships may waive performance fees for limited partners in the LKCM Partnerships in their discretion.

Our management fees for each LKCM Partnership are based on the net asset values for 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 or the custodian 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 independent pricing services and may be higher or lower than the valuations calculated by the custodian for the LKCM Partnership. If no pricing information from an independent pricing service is available for an investment held by a LKCM Partnership, the general partner for the LKCM Partnership will determine the valuation of such investment in good faith. A potential conflict of interest may exist because our management fees, performance fees, and performance results are based on our valuations of investments for the LKCM Partnerships.

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

Other Registered Investment Companies

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 a 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 for these funds filed with the Securities and Exchange Commission.

UMA Programs

We charge the UMA Program sponsor that uses our model portfolio an annual fee of 0.30% of its assets under management that use our model portfolio. We receive a portion of the management fee charged by the sponsor of the UMA Program for which we provide discretionary investment advisory services.

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 of the LKCM Partnerships, which are our affiliates, may receive performance fees based on the 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). 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 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 for which performance fees are charged over other client accounts, such as by allocating more profitable investments or opportunities to these LKCM Partnerships or by devoting more resources to these LKCM Partnerships.

We provide investment advisory services to various clients, including the LKCM Funds and the LKCM 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 accounts for which trades are placed first could receive a more favorable execution price than accounts 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.

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 accounts. 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 accounts.

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 an account with us, the LKCM Funds, and the LKCM Partnerships are summarized below.

Separately Managed Accounts

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

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

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

LKCM Funds

The LKCM Funds generally require the following minimum initial investment amounts, which may be waived by each Fund in its discretion:

- \$10,000 – LKCM Small Cap Equity Fund, LKCM Small-Mid Cap Equity Fund, LKCM Equity Fund, LKCM Fixed Income Fund, LKCM Balanced Fund, and LKCM International Fund; and
- \$2,000 – LKCM Aquinas Small Cap Fund, LKCM Aquinas Value Fund, and LKCM Aquinas Growth Fund.

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” and “qualified purchasers” 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” and “qualified purchasers” 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” and “qualified purchasers” 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” and “qualified purchasers” 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” and “qualified purchasers” 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” and “qualified clients” under applicable federal securities laws.

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

Other Registered Investment Companies

We serve as the sub-advisor for other registered investment companies. The minimum initial investment amount for these registered investment companies is described in the applicable prospectus and statement of additional information for these investment companies filed with the Securities and Exchange Commission. Purchases and redemptions of shares of these registered investment companies are subject to various requirements as further described in the applicable prospectus and statement of additional information for these investment companies filed with the Securities and Exchange Commission.

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

We offer clients several equity and fixed income investment strategies. These investment strategies are generally available through separately managed accounts, the LKCM Funds, and the LKCM 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 Accounts

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 accounts. A description of the named material risks is included at the end of this section under "Description of Material Risks of Separately Managed Account 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 account.

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 levels, balance sheet quality, competitive advantages, market share positions, ability to generate excess cash flows, meaningful management ownership stakes, and 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.

Material Risks: General Market and Economic Risk; Specific Security Risk; Stock Market Risk; Smaller Company 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 levels, balance sheet quality, competitive advantages, market share positions, ability to generate excess cash flows, meaningful management ownership stakes, and 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 \$2.5 billion at the initial time of purchase.

Material Risks: General Market and Economic Risk; Specific Security Risk; Stock Market Risk; Smaller Company 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 levels, balance sheet quality, competitive advantages, market share positions, ability to generate excess cash flows, meaningful management ownership stakes, and 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 \$7 billion at the initial time of purchase.

Material Risks: General Market and Economic Risk; Specific Security Risk; Stock Market Risk; Smaller Company 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; Smaller Company 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; Smaller Company Risk; Management Risk; Liquidity Risk; Quantitative Risk; Foreign Investment Risk.

Description of Material Risks for Separately Managed Account 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. 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.

Smaller Company Risk: The strategy may invest in securities of smaller capitalization companies that may not have the size, resources and other assets of mid or large capitalization companies. As a result, the securities of smaller capitalization companies held by the strategy 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.

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

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. Investments in securities of foreign securities are subject to risks associated with foreign markets, such as adverse political, social, political 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, 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, LKCM Fixed Income Fund, and LKCM International 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; Recent Market Events Risk; Specific Security Risk; Stock Market Risk; Management Risk; Small and Mid Cap 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 \$2.5 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.

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 \$7 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.

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 with established operating histories and strong fundamental characteristics. 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.

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. The Fund generally intends to purchase securities that are rated investment grade by a nationally recognized statistical rating organization at the time of purchase.

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

LKCM International Fund

Investment Objective: The Fund seeks total return in excess of the total return of the Morgan Stanley Capital International Europe, Australasia and Far East Index.

Principal Investment Strategies: The Fund seeks to achieve its investment objective by investing primarily in a portfolio of equity and equity-related securities in non-U.S. markets selected by the Fund's sub-advisor, TT International. Under normal circumstances, the Fund invests at least 80% of its net assets in securities that are tied economically to Europe, Australasia or the Far East. In addition, the Fund may invest in companies located in emerging markets. The Fund's investments generally will involve securities principally traded in at least three different countries. The Fund may invest in equity securities of small, mid and large capitalization companies. In addition to equity securities, the Fund also may invest in American Depositary

Receipts and similar instruments, as well as investment grade and non-investment grade debt securities. The Fund may use foreign currency contracts, options and stock index futures contracts for hedging purposes. The Fund also may engage in active and frequent trading of its securities in an effort to achieve its investment objective.

Material Risks: General Market and Economic Risk; Recent Market Events Risk; Specific Security Risk; Stock Market Risk; Sub-Advisor Risk; Interest Rate Risk; Credit Risk; Foreign Investment Risk; Currency Risk; Emerging Markets Risk; Portfolio Turnover Risk; Market Timing Risk; Small and Mid Cap 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 \$2.5 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.

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.

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.

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.

Recent Market Events Risk: U.S. and international markets may continue to experience volatility, which could cause securities markets to experience lower valuations, reduced liquidity, price volatility, credit downgrades, increased likelihood of default and valuation difficulties.

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. 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.

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.

Sub-Advisor Risk: The Fund's sub-advisor actively manages investments in the Fund. The value of investments in the Fund may decline if the Fund's sub-advisor fails to correctly identify risks affecting the global economy or specific markets, industries, companies, or countries in which the

Fund invests, or if investments the Fund's sub-advisor selects 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. This effect is typically more pronounced for intermediate and long-term fixed income securities. When interest rates decrease, income from the Fund's fixed income investments may decline.

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.

Foreign Investment Risk: The Fund invests in foreign securities and is subject to risks associated with foreign markets, such as adverse political, social, political 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, and less liquidity in foreign markets.

Currency Risk: The value of the Fund's investments that are denominated in non-U.S. currencies may be adversely affected by changes in the rates of exchange between those currencies and the U.S. dollar.

Emerging Markets Risk: The Fund may invest in emerging markets, which may carry more risk than investing in developed foreign markets. Risks associated with investing in emerging markets include limited information about companies in these countries, greater political and economic uncertainties compared to developed foreign markets, underdeveloped securities markets and legal systems, potentially high inflation rates, and the influence of foreign governments over the private sector.

Portfolio Turnover Risk: To the extent that the Fund's strategies lead it to buy and sell securities more actively than other Funds, the Fund could have higher expenses, such as increased brokerage commissions, which would reduce shareholder returns. A high portfolio turnover rate may also expose shareholders to higher taxable distributions.

Market Timing Risk: The Fund invests in foreign securities and is subject to the risk of market timing activities. Market timing means that some investors could take advantage of price differentials that may be reflected in the price of the Fund's shares since the value of foreign

securities may be affected by events that occur after the close of the foreign market but before the time the Fund prices its shares.

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 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 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; 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; 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 equity or debt equivalent investments in publicly traded and privately held entities. PDP generally limits concentration to any single company to 10% of its assets at the time of investment. PDP has discretion to invest up to 25% of its assets in the securities of a single issuer in compelling market environments or in pursuit of investments in private companies.

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; 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; 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 capitalization 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; 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 establishing controlling positions primarily in lower middle-market companies that are headquartered or conduct significant operations in Texas and surrounding states. The partnership may also make other types of portfolio investments, including control positions in publicly-traded companies. The partnership generally seeks to make 8 to 12 platform investments, typically in the range of \$10 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; 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. 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.

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.

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 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, 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.

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 nine 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
- Paul W. Greenwell – Vice President
- Steve Purvis – Vice President
- Jacob D. Smith – Chief Financial Officer and Chief Compliance Officer
- Richard Lenart – Secretary and Treasurer

In addition, several of our employees are registered representatives of Quasar Distributors, LLC, the principal underwriter for the LKCM Funds. We, along with our principals, employees and affiliates, are shareholders of the LKCM Funds. We may have an incentive to favor the LKCM Funds over other client accounts, 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 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 accounts. 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. These relationships create potential conflicts of interest because we may have a financial incentive to favor the LKCM Partnerships over other client accounts.

Additional information regarding our investment advisory services to the LKCM Partnerships is included in the offering documents for the LKCM Partnerships.

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 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.

Outside Investments

Some of our employees engage in private equity efforts on behalf of portfolio companies that are owned by us, our employees, the LKCM Partnerships, and/or other entities in which we, our employees or our affiliates may have a financial interest. These activities create a potential conflict of interest because we may have an incentive to devote more resources to the management of these private equity investments.

Potential Conflicts of Interest

Our investment advisory services for the LKCM Funds and the LKCM 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 *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, including the LKCM Funds and the LKCM Partnerships. 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;
- report their securities transactions and holdings to us on a periodic basis;
- certify their compliance with our code of ethics on a periodic basis; and
- provide us with copies of their trade confirmations and account statements.

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 nine funds. We also serve as the investment advisor to the LKCM Partnerships, and our affiliates serve as the general partners of the LKCM Partnerships. In these capacities, we receive management fees from the LKCM Funds and the LKCM Partnerships and, subject to certain limitations, the general partners of the LKCM Partnerships, which are our affiliates, may receive performance fees based on the 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). We and/or our principals, employees and affiliates are shareholders of the LKCM Funds and/or limited partners of the LKCM Partnerships. We may offer advice to qualified existing and prospective clients regarding investing in the LKCM Partnerships. These relationships create potential conflicts of interest because we may have a financial incentive to favor the LKCM Funds and the LKCM Partnerships over other client accounts. We furnish prospective limited partners with offering documents and other information concerning the LKCM Partnerships for their consideration when making a decision to invest in the LKCM Partnerships. We also provide prospective limited partners with an opportunity to ask us questions prior to investing in the LKCM Partnerships.

Personal Trading

We and our principals, employees or affiliates may purchase or sell for our own accounts the same securities that we purchase or sell for client accounts. 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 accounts. We and/or our principals, employees or affiliates may purchase or sell securities for our own accounts at the same or different times as client accounts. We and/or our principals, employees or affiliates may also purchase or sell securities for our own accounts while selling or purchasing the same securities for client accounts. These practices create potential conflicts of interest because we and/or our principals, employees and affiliates may have an incentive to favor our own accounts over client accounts. 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 accounts.

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 account 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 account. 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 accounts. 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.

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 accounts proportionately to the soft dollar credits the accounts 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 account prohibits soft dollar transactions.

We also participate in so-called “commission sharing arrangements” under which we receive credits from brokers that execute transactions for client accounts. 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 accounts.

We have adopted policies and procedures in an effort to mitigate conflicts of interest associated raised by 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 accounts for which we exercise investment discretion).

Our soft dollar arrangements are reviewed at least annually by our Brokerage and Compliance Committee, which is comprised of our Chief Compliance Officer, Director of Research, a Senior Portfolio Manager, traders, Vice President of Client Administration, and Director of Information Technology. Our commission sharing arrangements are reviewed at least annually by our CSA Committee, which is comprised of our Chief Compliance Officer, Director of Research, traders, and analysts.

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 account 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.

Step-Outs

We generally have authority to use step-out procedures when executing securities transactions for your account. 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. We allocate Micro-Cap IPOs to LKCM Private Discipline Master Fund, SPC, LKCM Long-Short Master Fund, L.P., and LKCM Micro-Cap Partnership, L.P.
- Small-Cap IPOs – Small-Cap IPOs consist of initial public offerings of companies with an estimated market capitalization between \$400 million and \$1 billion. We allocate Small-Cap IPOs among accounts that meet the following requirements: the account has a market value of at least \$10 million, the principal investment strategy for the account is investing in small cap companies, and the account does not have client-directed brokerage arrangements. LKCM Small Cap Equity Fund, LKCM Private Discipline Master Fund, SPC, and LKCM Long-Short Master Fund, L.P. are also eligible to participate in Small-Cap IPOs. Each Small-Cap IPO is allocated on a rotational basis, with each eligible account receiving a 0.5% account 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 account.
- Small-Smid Cap IPOs – Small-Smid Cap IPOs consist of initial public offerings of companies with an estimated market capitalization range between \$1 billion and \$2.5 billion. We allocate Small-Smid Cap IPOs among accounts that meet the following requirements: the account has a market value of at least \$10 million, the principal investment strategy for the account is investing in small cap or smid cap companies, and the account does not have client-directed brokerage arrangements. LKCM Small Cap Equity Fund, LKCM Small-Mid Cap Equity Fund, LKCM Private Discipline Master Fund, SPC and LKCM Long-Short Master Fund, L.P. are also eligible to participate in Small-Smid Cap IPOs. Each Small-Smid Cap IPO is allocated on a rotational basis, with each eligible account receiving a 0.5% account weighting of the Small-Smid Cap IPO until the securities have been fully allocated. This process is repeated for each Small-Smid Cap IPO, each time beginning with the next eligible account.

- Large-Cap IPOs – Large-Cap IPOs consist of initial public offerings of companies with an estimated market capitalization over \$2.5 billion. We allocate Large-Cap IPOs among equity and balanced accounts that meet the following requirements: the account has a market value of at least \$20 million, the account is non-taxable, and the account does not have client-directed brokerage arrangements. LKCM Equity Fund, LKCM Aquinas Value Fund, LKCM Aquinas Growth Fund, LKCM Private Discipline Master Fund, SPC, and LKCM Long-Short Master Fund, L.P. are also eligible to participate in Large-Cap IPOs. Each Large-Cap IPO is allocated on a rotational basis, with each eligible account receiving a 0.5% account 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 account.

Portfolio managers for eligible accounts 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 account.

Trade Errors

On occasion, a trade error may occur in a client account that results in a loss or profit to the client. If a trade error occurs that results in a loss for a client account, 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 account, we will correct the trade error and the gain will be credited to the client account.

ITEM 13 – REVIEW OF ACCOUNTS

Reviews

Our portfolio managers and analysts meet on a weekly basis to review our firm wide investment strategy, 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 accounts. Our administrative personnel regularly perform reconciliations, affirm trades, and perform other administrative activities for client accounts. Our portfolio managers periodically review and monitor client accounts for adherence to the account's investment strategy and guidelines. Client accounts may be reviewed on a more frequent basis depending on a variety of factors, such as contributions or withdrawals of cash from an account, changes in the account's investment objectives, guidelines or restrictions, or meetings with clients.

Reports

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

- Separately Managed Accounts – On a quarterly basis, we provide a written portfolio review letter, account statement, and economic outlook. The portfolio review letter is written by the portfolio manager for the account and generally discusses portfolio performance and asset allocations. The account statement generally identifies the positions held in the account 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 conditions as well as our expectations concerning future economic 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.

- 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 Partnership – Each LKCM Partnership 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 within 120 days after the end of its fiscal year. Each LKCM Partnership also provides limited partners with other written reports and information specified in its offering documents or as determined by the general partner of such LKCM Partnership.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

We pay compensation to brokers and other persons participating in the distribution of shares of the LKCM Funds, as described in the prospectuses and statements of additional information for the LKCM Funds. 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.

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 will generally receive statements directly from your custodian at least quarterly. We also provide our account statements to you on a quarterly basis. We urge you to review your custodial statements carefully and compare them to the account 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 account 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 are generally deemed to have custody over your account under the federal securities laws because our investment management agreement typically permits us to deduct management fees from your account. 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 are held with a qualified custodian, we are generally deemed to have custody over these securities and assets because our affiliates serve as the general partners of the LKCM Partnerships. Limited partners of the LKCM Partnerships will not receive statements from the custodian of the LKCM Partnerships. Instead, each LKCM Partnership is subject to

an annual audit by an independent public accounting firm that is 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 limited partners of the LKCM Partnerships within 120 days of the fiscal year end for the applicable LKCM Partnership.

ITEM 16 – INVESTMENT DISCRETION

We provide discretionary investment management services to our clients. This means that we may make investment decisions for your account without your consent, such as determining the securities to be bought or sold for your account, 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 account.

ITEM 17 – VOTING CLIENT SECURITIES

Our investment management agreement with you generally provides that we will vote proxies for securities held in your account 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.

ISS typically releases its proxy voting guidelines at the beginning of each year. Our proxy voting policy generally provides that we will vote proxies consistent with the ISS voting guidelines then in effect. 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.

You may obtain a copy of our proxy voting policy, information regarding votes we cast with regards to securities in your account, 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.