



**KLCM Advisors, Inc.**

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[klcminc.com](http://klcminc.com)

**12/31/2025**

**FORM ADV PART 2A  
BROCHURE**

This brochure provides information about the qualifications and business practices of KLCM Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 414.765.1234 or by email at [msailer@klcminc.com](mailto:msailer@klcminc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about KLCM Advisors, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for KLCM Advisors, Inc. is 107847.

KLCM Advisors, Inc. is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Investment advisers face conflicts of interest in working with clients. We use this disclosure brochure, along with our Form CRS Client Relationship Summary, to communicate conflicts of interest that we believe could have a meaningful impact on you. We strive to disclose these conflicts of interest in a clear manner with sufficient information to allow you to understand the implications of these conflicts of interest. As such, we encourage you to review this disclosure brochure carefully and notify us if you have questions regarding the conflicts of interest identified.

**Form ADV Part 2A, Item 2**

## Material Changes

KLCM Advisors, Inc. (KLCM) has made the following material changes to this brochure since the last annual update dated December 31, 2024:

- Item 1: KLCM moved to a new location as of March 1, 2026. KLCM's new mailing address is: 330 E. Kilbourn Avenue, Suite 1050, Milwaukee, WI 53202.
- Item 4: clarified that KLCM's principal owners are James B. Kitzynger and Jack J. Kitzynger.
- Item 5: Updated disclosures regarding advisory fee practices to clarify that the firm does not charge advisory fees to certain individuals at the firm's discretion, including employees and their family members.
- Item 8: Added descriptions of covered call and options risks.
- Item 11: Updated disclosures regarding employee personal trading practices to more clearly describe preclearance requirements and the controls KLCM uses to mitigate conflicts of interest when employees trade the same securities as clients, and added new disclosures describing restrictions on trading before known client transactions and liquidity-based standards used to review employee personal trading activity.
- Item 12: Updated disclosures regarding brokerage selection practices to more clearly describe how KLCM evaluates commission rates in relation to the value of research and brokerage services received, including disclosure that commissions paid can exceed the lowest available execution-only rates and can range up to approximately \$0.05 per share.
- Item 12: Clarified that KLCM considers a "trade error" to be the execution of a trade on terms other than those intended by KLCM or the client, and that the Compliance Committee reviews all trade errors exceeding \$100.
- Item 13: Updated the disclosed period of client account review from at least monthly to at least quarterly.
- Other Information: Reorganized (but did not alter) the existing disclosures within this response for clarity, moving information on disaster recovery (Item 18), cybersecurity risks (Item 8), diminished capacity (Item 4), identity theft (Item 15), legal proceedings/class action claims (Item 17), and compliance oversight responsibilities (Item 10) to more logical locations.

**Form ADV Part 2A, Item 3**

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## Form ADV Part 2A, Item 4

### Advisory Business

KLCM Advisors, Inc. (KLCM) was established in March 1993. Our owners are James B. Kitzinger, Carl J. Fuda, Mark A. Sailer, Katherine R. Licau Gifford, Neal P. Coleman and Jack J. Kitzinger. Collectively they have over 100 years of experience working with individuals, corporate sponsors, and institutions in building balanced and equity portfolios. James B. Kitzinger and Jack J. Kitzinger serve as KLCM's principal owners.

KLCM offers balanced, equity, and fixed income portfolio management. We also work as part of our client's financial team to consult on issues related to the portfolios we manage.

Our product set includes:

- Value Equity
- Balanced (value equity and fixed income)
- Fixed Income

Portfolios are managed as separate accounts. Each client's asset allocation is tailored to reflect their income needs, risk tolerance, and liquidity requirements. KLCM does not manage accounts or invest in securities based on Environmental, Social, and Governance ("ESG") criteria.

Clients may impose restrictions on investing in certain types of securities, industries, specific securities, or other client limitations. It is the client's responsibility to provide these limitations to us in writing. Measures are taken to note the individual client's request for that restriction.

KLCM does not participate in "wrap fee programs," where we would receive a portion of the wrap fee for our services.

All our client accounts are discretionary. As of December 31, 2025, we had \$1,876,937,886 under management. We do not manage client assets on a non-discretionary basis.

We are mindful that cognitive capacities can diminish over time, though not always as a result of age. We take our fiduciary responsibilities to our clients seriously and have implemented policies to help guide our employees when they suspect a client is experiencing diminished capacity, as these clients could, through no fault of their own, be susceptible to making decisions that are not in their long-term best interests. As requested by the custodian, we encourage clients to name a trusted contact with whom we could speak if we identify a potential diminished capacity concern.

## Form ADV Part 2A, Item 5

### Fees and Compensation

Management fees are based upon a percentage of assets. The standard fee is 1.0% per year on equity assets, and 0.6% on fixed income assets managed. Existing clients' actual fees are based on the terms negotiated when those relationships were established and are detailed within the investment management agreement. Management fees are negotiable and can include fees based on a percentage of assets and fixed fees. KLCM does not charge advisory fees to certain individuals at the firm's discretion, including employees and their family members.

While KLCM's fee schedule creates an incentive to encourage clients to remain invested, KLCM prioritizes acting in the client's best interest as described within this brochure.

KLCM fees are billed quarterly in arrears. This quarterly rate is applied to the average month-end market value for the previous quarter. KLCM aggregates the assets for clients with tiered fee schedules when calculating fees. KLCM will consider the receipt of cash flows received during the quarter in calculating fees separately, based on the size and timing of the cash flow relative to the account's size, and will adjust the fees when the cash received or disbursed is deemed material.

Clients may elect to be billed directly for fees or authorize KLCM to debit fees from their accounts via their custodian. Each client receives a quarterly invoice.

KLCM bills all terminating clients for fees due upon receipt of the notice of termination.

Besides management fees, clients will pay third-party custody fees, brokerage fees, transaction costs, and mutual fund and exchange-traded fund (ETF) expenses. For more details about brokerage and transaction costs, please refer to Item 12, "Brokerage Practices."

KLCM uses account market values supplied by the clients' custodians or an independent pricing service to calculate investment performance and client fees. KLCM reviews prices provided by these pricing sources for reasonableness. While this rarely occurs, if a pricing source does not provide a price or if we believe a price supplied does not reflect an accurate market value, we will attempt to obtain a price from separate independent pricing sources.

## **Form ADV Part 2A, Item 6**

### **Performance-Based Fees and Side-by-Side Management**

KLCM does not charge or accept performance-based fees or compensation.

## **Form ADV Part 2A, Item 7**

### **Types of Clients**

KLCM provides investment advice to high-net-worth individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, and corporations or business entities. All clients are required to enter into an investment management agreement before we provide our services.

The general minimum account size for management is \$500,000. Exceptions are made based on investment client type, account size, relationship size, service requirements, and other factors.

We have an incentive to encourage individual retirement account owners to rollover an employer retirement account into a KLCM-managed Individual Retirement Account, which results in higher fees for KLCM. The decision of whether to rollover an employer retirement account rests with you, the individual account owner. Unless you independently choose to rollover the account, we will provide information to help you make a decision that is in your best interests.

Select clients are family members or personal friends with firm personnel, including firm partners. These clients maintain separate personal relationships with firm personnel. At times, firm personnel will engage in personal business dealings with these clients as a natural extension of their outside personal relationships.

Given the inherently close working relationship we have with our clients, we expect relationships with clients to continue to evolve. These expanded relationships present an inherent conflict to provide preferential treatment to certain clients. We believe our firm's steadfast dedication to fairness and integrity, along with our policies and procedures designed to promote the fair and consistent treatment of clients as summarized

within this disclosure brochure, help to mitigate this conflict. Also, employee outside business activities require advanced approval, with the goal of identifying and determining how to mitigate conflicts identified.

## Form ADV Part 2A, Item 8

### Methods of Analysis, Investment Strategies, and Risk of Loss

The primary focus of KLCM equity investing is to buy companies at compelling valuations while minimizing the risk of capital loss. In our experience, opportunities arise when the market overreacts to disappointing short-term results or due to the general neglect or protracted unpopularity of a company or sector. Our approach is to apply intensive research and direct and typically extended management contact to identify those situations with limited risk and substantial upside over two to three years. Emphasis on cash flow and an underlying firm's enterprise value, isolating a catalyst for change, looking beyond short-term results, and understanding management objectives are critical to the process.

We engage in fundamental fixed income analysis for fixed income securities to identify issuers with sound revenue sources, reasonable leverage, and a track record of profitability in most years. We also apply traditional credit analysis to assess the capacity, collateral, and character of each issue. Despite rigorous analysis, the possibility of loss still exists.

We do not intend the following summary of risk factors to be a complete and comprehensive statement of all risks related to investing generally or investing with KLCM.

*General Risk of Loss.* Investing is a speculative endeavor involving risk, which includes the possible loss of principal. Past performance is not indicative of future results.

*Market Risks.* The value of the securities held in client accounts tends to increase or decrease in response to movements in the market. Stocks generally fluctuate more than bonds and may decline significantly over short periods.

*Management Risk.* The profitability of a significant portion of our recommendations depends to a great extent upon correctly assessing the future course of price movements of stocks and bonds. We cannot assure we will predict those price movements accurately. Our strategies do not, however, attempt or depend on our ability to predict the direction of the overall market in the short to intermediate term.

*Reliance on Key Personnel.* The investment management activities of our firm rely on the business and investment acumen of our management team. If any member of our management team leaves, it could negatively impact our ability to manage client portfolios.

*Equity Securities Risk.* Equity securities are inherently volatile, susceptible to broad market fluctuations and economic downturns. This volatility can lead to significant price swings, potentially resulting in capital losses for investors. The performance of an individual equity security is also directly linked to the issuing company's financial health, management decisions, and industry trends. Poor company performance, negative events, or industry disruptions can significantly impact the security's value.

We strive to minimize equity risk through in-depth fundamental analysis with attention devoted to cash flow and balance sheet issues and careful attention to valuation. We will not buy stocks that are currently in vogue with high valuations and high expectations. Avoiding overpriced securities and employing a disciplined sell process is critical to constraining risk.

*Fixed Income Securities Risk.* Fixed income securities carry the risk that the issuer may fail to meet their interest or principal repayment obligations. This risk is generally higher for corporate bonds compared to government bonds. Also, changes in interest rates can affect the market value of fixed income securities.

When interest rates rise, existing bonds with lower rates become less attractive, potentially leading to price declines.

*Covered Calls.* KLCM will use a covered call strategy when managing certain client accounts. This approach involves writing call options on securities already held in the portfolio. While this strategy can provide additional income, it also limits the portfolio's ability to benefit from increases in the price of the underlying security and could result in the security being sold at a price below its current market value if the option is exercised.

*Options.* Option values can be highly sensitive to changes in the price of the underlying security, market volatility, interest rates, and time remaining until expiration. Options can lose value quickly, and strategies involving buying calls options or selling naked options can expose a portfolio to potentially significant losses. Options markets may also experience periods of reduced liquidity, which can affect pricing or the ability to close positions.

*Cybersecurity.* Information security concerns impact every internet user, and investment advisers such as KLCM are no exception. While we employ resources (both internal and external) to guard against information security breaches, we cannot guarantee the protection of all information we retain, nor can we assure against all related losses, in consideration of the real and evolving cybersecurity risks in existence (now or in the future). KLCM depends on external service providers for certain functions, and delays in their breach notifications could affect our ability to respond promptly.

#### **Form ADV Part 2A, Item 9**

### **Disciplinary Information**

Registered Investment Advisers must disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of KLCM or the integrity of KLCM's management. KLCM has no legal or disciplinary circumstances to disclose.

#### **Form ADV Part 2A, Item 10**

### **Other Financial Industry Activities and Affiliates**

No employee at KLCM is registered as a broker-dealer representative.

KLCM has no material relationship or arrangement with a related person to report.

KLCM's Chief Compliance Officer, Mark Sailer, also serves as a portfolio manager and research analyst. These other responsibilities create an inherent conflict with his compliance responsibilities. KLCM management recognizes this inherent conflict and supports Mr. Sailer by allocating resources, processes, and supervisory practices to help him meet his obligations as KLCM's Chief Compliance Officer.

**Form ADV Part 2A, Item 11**

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

KLCM maintains policies which comprise its Code of Ethics that applies to all employees and officers of the company.

KLCM's policies detail the standards of conduct expected of all our employees. They include limitations on personal trading, the giving and acceptance of gifts, engaging in outside employment and business activities, and serving as a director or trustee for outside organizations.

While KLCM does not expect employees to encounter material nonpublic information during the normal course of business, KLCM maintains a policy to address the receipt of such material nonpublic information. KLCM also maintains physical and electronic safeguards to protect nonpublic client information while in KLCM's possession and upon destruction. These safeguards are designed to protect both current and former clients.

A copy of the policies that comprise KLCM's Code of Ethics is available to any client or prospective client upon request.

KLCM employees trade securities that clients also hold or trade. Employees can also invest their personal holdings in a manner which contradicts the advice we provide to our clients. Employees do not trade ahead of known client transactions in the same security. KLCM applies enhanced review standards to personal trades in less liquid securities, including consideration of same-day trade sequencing when client trades occur after an employee trade. For highly liquid securities, KLCM does not expect employee trading activity to disadvantage client transactions or client trading activity to benefit employee personal trades. KLCM requires employees to preclear personal transactions, subject to defined exceptions.

KLCM's Personal Trading Policy exempts certain securities from these personal trading restrictions, including open-end mutual funds, cash-like instruments and direct obligations of the United States Government. This policy applies to employees' personal accounts and accounts in which employees hold a beneficial interest.

KLCM believes its investment approach and personal trading controls limit opportunities for employee personal trading to disadvantage clients.

**Form ADV Part 2A, Item 12**

## Brokerage Practices

**Investment or Brokerage Discretion** - KLCM performs advisory services by exercising discretionary authority while managing a client's account.

In general, there are no limitations on KLCM or the authority of its related persons to select securities or the amount of securities to purchase or sell. In addition to having the authority to effect transactions on a client's behalf, we can also establish accounts and process transactions through one or more securities brokerage firms we select. We are subject to any client-imposed conditions, e.g., where the client restricts or prohibits transactions in certain types of securities or directs that trades transact through a specific broker-dealer.

KLCM assesses whether the benefits to clients are worth the commissions paid to brokers. KLCM believes third-party broker-dealer research provides a great deal of value to client accounts.

**Selection of Broker-Dealers** - A broker-dealer is selected by KLCM for the execution of a trade based on KLCM's assessment of the following characteristics:

- Offers research and investment information of value to KLCM
- Best qualified to handle the trade for a specific security
- In possession of a complimentary order to trade the same security at the same time
- Security is easily traded and believed to have the lowest total cost

Research services received from broker-dealers include:

- Verbal and written reports on the economy, various industries, or specific securities
- Research conferences
- Meetings with industry analysts
- Access to news, data, security prices, research, or portfolio tools

Other services provided in return for commissions include:

- Trade executions
- Access to purchase over-the-counter securities

All research and information received are applied, as appropriate, to every client's portfolio. In our view, a combination of research sources offers the best potential for enhanced investment results for all clients' portfolios, which inures the benefit of all clients.

In selecting broker-dealers, KLCM rarely bases its decision solely on execution quality or commission rates. While KLCM considers commissions per share, it places greater emphasis on the total commissions paid in relation to the value of research and other brokerage services received. As a result, KLCM pays commissions higher than the lowest available execution-only commission rates in order to obtain research and brokerage services that it believes assist in the investment decision-making process. Commissions paid will vary among broker-dealers, generally ranging up to \$.05 per share. KLCM believes the research and related services received provide significant value relative to the total client commission dollars paid and represent a meaningful benefit to client accounts.

**Soft Dollars** - Soft dollar practices are arrangements under which KLCM receives research or other products or services in exchange for brokerage commissions on client account transactions. Under these soft dollar arrangements, clients pay a broker-dealer a greater commission than what another could have charged for effecting the same transaction, in recognition of the value of research services provided to KLCM. This is a benefit to KLCM because we do not have to pay for the research, products, or services. KLCM has an arrangement with a broker-dealer whereby KLCM receives "soft dollar" benefits by placing trades through the broker-dealer. KLCM then requests the broker-dealer to pay for services KLCM believes aids in the client investment management process using these soft dollar benefits.

Soft dollar transactions are not affected according to any agreement or understanding with any broker or dealer. However, KLCM sometimes requests a broker-dealer to provide a specific research service that is proprietary to that firm or produced by a third party. In such cases, in agreeing to provide the research service, the broker-dealer will frequently indicate to KLCM a specific or minimum amount of commissions that it expects to receive because of its research service provision. Although KLCM does not agree to direct a specific or minimum commission amount to a firm in that circumstance, KLCM does maintain an internal procedure to identify those brokers that provide us with research services and the value of such research services and endeavors to direct sufficient commissions to help ensure the continued receipt of research services that KLCM feels are beneficial. The products and services that KLCM receives for soft dollars benefit all clients. We do not allocate soft dollar benefits to client accounts proportionately to the soft dollar credits that the accounts generate.

KLCM pays for various services through our broker-dealer "Soft Dollar" arrangement, such as:

- Industry-specific periodicals (Automotive News, Tire Business)
- Bloomberg - an integrated platform that streams together price data, financials, news, and trading data
- Advent Software - client portfolio management system
- Interactive Data Corp. - a provider of financial market data, pricing, analytics, and related solutions
- Customized reports that benefit all clients

**Research and Brokerage Products** - KLCM also receives research services from broker-dealers in exchange for client brokerage commissions, such as:

- Research reports
- Market and economic data
- Company-specific financial data
- Fundamental and technical analysis
- Research meetings with analysts
- Meetings with corporate executives
- Seminars or conferences

When necessary, we perform a good faith analysis to determine the percentage of a research service we will use for non-research purposes. We then pay for the non-research portion of the service with the firm's resources.

Our authority to select brokers presents an inherent conflict, as we face an incentive to choose broker-dealers who provide us with research services rather than broker-dealers who provide the most favorable execution for our clients' accounts. To mitigate this conflict, we maintain brokerage selection policies, routinely review the allocation of client commissions to brokers, and periodically review broker-dealers' performance.

**Broker Client Referrals** - KLCM does not select or recommend broker-dealers based on receiving client referrals.

Clients are, at times, referred to KLCM by individual registered representatives (brokers) or various registered broker-dealers (brokerage firms). These referred clients direct KLCM in writing to use or continue using the referring registered representative and brokerage firm to effect brokerage transactions for their managed accounts. When directed by the client to use the referring broker, KLCM will follow such direction. KLCM will make no attempt to negotiate commissions on behalf of the client. As a result, the client could pay materially disparate higher commissions, depending on their commission arrangement with the referring broker established before or in connection with the referral to KLCM and upon other factors such as the number of shares traded, round and odd lots, and the market for the security transactions.

KLCM could have been able to negotiate better brokerage commissions for the client if the client did not direct the brokerage to the referring broker. In these cases, a client's direction to use a specific broker-dealer to execute trades will be more expensive than not directing KLCM to trade through that broker-

dealer. Client direction could limit KLCM's ability to obtain best execution. Because KLCM has an interest in receiving future referrals from the referring brokers and brokerage firms, KLCM has an incentive to not encourage the client to change brokerage arrangements. KLCM intends for this disclosure to provide the client with information to make an informed decision.

**Aggregation and Allocation of Trades** - KLCM aggregates orders when aggregating trades is both available and deemed to support its trading objectives. KLCM's aim is to achieve better execution for all clients due to larger transaction sizes. Aggregating trades also facilitates homogeneous transaction prices, which helps reduce potential conflicts of interest between clients.

Clients taking part in a prime brokerage account arrangement will probably pay higher commissions than if KLCM traded the security in their custodial account. Also, these clients typically pay a separate fee for their custodian to book the trade into their account.

KLCM uses a rotational process when placing block trades using distinct trading groups. When KLCM fills a block order at several prices through multiple trades, all accounts taking part in the block trade will receive the average price. Although infrequent, KLCM distributes partially filled block trades to participating accounts following a rotational process and fills each account in sequential order based on the shares available.

KLCM will also execute trades concurrently instead of using blocks if KLCM does not expect a materially negative impact on client trades.

**Trade Error Correction** – KLCM aims to avoid trade errors where a client suffers a loss. With that said, errors do occur. Clients are to be made whole as soon as reasonably possible. "Made whole" means that the client is in the same position before the error occurred or put in the position it should have been in but for the error. When available, KLCM uses a trade error account to correct the error.

Trade errors occurring in accounts held at a custodian such as Schwab are generally subject to the custodian's overriding trade error policies. In such cases, KLCM will defer to the custodian's trade error policy in correcting the trade error.

KLCM generally considers a "trade error" to be the execution of a trade by KLCM on behalf of a client on terms other than those intended by KLCM or the client. Advisers face a conflict of interest when dealing with trade errors, as they have an incentive to minimize the financial impact on the firm. To mitigate this conflict, we maintain policies and procedures designed to address trade errors. In addition, our Compliance Committee reviews all trade errors exceeding \$100.

## Form ADV Part 2A, Item 13

### Review of Accounts

All accounts are reviewed at least quarterly by the portfolio manager or principal of the firm with respect to asset allocation and portfolio composition.

When we plan to buy or sell a security for portfolios, all portfolios are reviewed with respect to that security.

Each quarter, a client receives a written investment review of the following:

- Summary and an account appraisal showing all holdings by asset class
- KLCM's commentary on the investment environment

## Form ADV Part 2A, Item 14

### Client Referrals and Other Compensation

We receive an economic benefit from Charles Schwab & Co., Inc. ("Schwab") in the form of the support products and services it makes available to other independent investment advisors whose clients maintain their accounts at Schwab and us. These products and services, how they benefit us, and the related conflicts of interest are described below. The availability of Schwab's products and services is not based on us giving particular investment advice, such as buying specific securities for our clients.

**Benefits and Related Conflicts from Schwab** - Schwab makes available to KLCM products and services that benefit KLCM but may not benefit its clients' accounts. Some of these products and services assist KLCM in managing and administering clients' accounts. These include software and other technology that provides access to client account data (such as trade confirmations and account statements); facilitate trade execution (allocation of aggregated trade orders for multiple client accounts); provide research, pricing information, and other market data; facilitate payment of management fees from clients' accounts; and assist with back-office functions, recordkeeping, and client reporting. Many of these services may be used to service all or a substantial number of KLCM's accounts, including those not maintained at Schwab Institutional. Schwab Institutional also makes available to KLCM other services intended to help KLCM manage and further develop its business enterprise. These services may include consulting, publications, and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. Also, Schwab may make available, arrange, and/or pay for these types of services rendered to KLCM by independent third parties. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to KLCM. While as a fiduciary, KLCM endeavors to act in its client's best interests, and KLCM's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to KLCM of the availability of some of the previous products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

KLCM receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through KLCM's participation in Schwab Advisor Network® ("the Service"). The service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with KLCM. Schwab does not supervise KLCM and has no responsibility for KLCM's management of clients' portfolios or KLCM's other advice or services. KLCM pays Schwab fees to receive client referrals through the service. KLCM's participation in the service may raise potential conflicts of interest described below.

KLCM pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts kept at or transferred to another custodian. The Participation Fee paid by KLCM is a percentage of the fees the client owes to KLCM or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. KLCM pays Schwab the Participation Fee as long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to KLCM quarterly and may be increased, decreased, or waived by Schwab from time to time. The Participation Fee is paid by KLCM and not by the client. KLCM has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs KLCM charges clients with similar portfolios who were not referred through the service.

KLCM generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by or assets in the account are transferred from Schwab. This fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees KLCM generally would pay in a single year. Thus, KLCM will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of KLCM's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, KLCM will have incentives to encourage household members of clients referred through the service to maintain custody of their accounts and execute transactions at Schwab.

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

KLCM receives benefits related to soft dollar arrangements and services provided by brokers as disclosed in Item 12 above.

KLCM receives revenue from the advisory fees we charge and on the amount of client assets we service, which creates an incentive for our financial professionals to increase assets under management in order to increase the revenue we generate from advisory fees. We rely on our policies and procedures designed to promote the fair and consistent treatment of clients, as summarized within this disclosure brochure, to mitigate this inherent conflict.

## **Form ADV Part 2A, Item 15**

### **Custody**

Each broker-dealer maintains actual custody of your assets. We do not maintain custody of client assets other than our limited ability to withdraw our advisory fee directly from client accounts and to assist clients in communicating transfers to third-party entities. Clients will receive account statements directly from their custodian at least quarterly. Statements will be sent to the email or postal mailing address provided to their custodian. Clients should carefully review those statements promptly when they are received. KLCM urges clients to compare their custodian account statements to the investment review that KLCM sends.

KLCM recognizes the inherent risk all individuals face regarding identity theft. KLCM designed its Identity Theft Identification Program to help employees identify potential red flags showing a client's identity may have been stolen. Besides identifying potential red flags, this Identity Theft Identification Program outlines the actions employees and KLCM will take in the event they believe a client's identity may have been stolen. KLCM requests any client who suspects his/her identity has been compromised to immediately notify their KLCM Portfolio Manager and their custodian, permitting KLCM and their custodian to consider implementing additional controls around the client's account.

**Form ADV Part 2A, Item 16**

## Investment Discretion

KLCM provides portfolio management services on a discretionary basis. Some clients impose restrictions on investing in specific securities, industries, types of securities, or other limitations. The client is responsible for providing these limitations to KLCM in writing.

**Form ADV Part 2A, Item 17**

## Voting Client Securities

KLCM does not take any action or render any advice concerning the voting of proxies solicited by or with respect to the issuers of securities in which client assets may be invested. The client reserves all authority to vote proxies per the Investment Management Agreement. Clients will receive their proxies or other solicitations directly from their respective custodian or transfer agent of that particular security. Clients can contact KLCM if they have any questions about a specific solicitation that may need further explanation.

Unless otherwise directed by a client, KLCM will help coordinate the paperwork required for eligible clients to take part in a class action or similar lawsuit. KLCM evaluates class action lawsuits and determines whether clients should take part. KLCM may elect for a client to not take part in a class action lawsuit if, for example, it determines the expected settlement proceeds are not worth the filing effort (less than \$100 per client). Clients may opt out of this service at any time.

**Form ADV Part 2A, Item 18**

## Financial Information

KLCM has no financial conditions to disclose that would impair the ability to meet the contractual commitment to KLCM clients.

*Disaster Recovery.* KLCM maintains a Disaster Recovery Plan designed to restore the essential business functions of our firm in the event of a disaster event. While we strive to establish and maintain comprehensive processes supporting this Disaster Recovery Plan, we cannot ensure we will continue business operations during every disaster event, given the inherently unknown nature and scope of future disaster events. Such events could include acts of war, terrorism, accidents, and sabotage. If there were to be an actual disaster event, we will make every attempt to notify clients of the impact of the event on KLCM and our clients.