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**January 23, 2024  
FORM ADV PART 2A. BROCHURE**

**This brochure provides information about the qualifications and business practices of Kohlhepp Investment Advisors, Ltd. If you have any questions about the contents of this brochure, please contact us at 215-340-5777. 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 Kohlhepp Investment Advisors, Ltd. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Kohlhepp Investment Advisors, Ltd. is 113989.**

**Kohlhepp Investment Advisors, Ltd. 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.**

## Item 2 – Material Changes

Since the last annual filing of this Form ADV Part 2A, dated March 21, 2023, the following material changes have occurred:

- Item 4 – Effective January 1, 2024, Edward John Kohlhepp, Sr. and Edward Kohlhepp, Jr. each control fifty (50%) percent of the equity of the firm.

Please note, this section only discusses change we consider material.

## Item 3: Table of Contents

<i>Advisory Business .....</i>	<i>1</i>
<i>Fees and Compensation .....</i>	<i>2</i>
<i>Performance-Based Fees and Side-By-Side Management .....</i>	<i>3</i>
<i>Types of Clients.....</i>	<i>3</i>
<i>Methods of Analysis, Investment Strategies and Risk of Loss .....</i>	<i>4</i>
<i>Disciplinary Information .....</i>	<i>6</i>
<i>Other Financial Industry Activities and Affiliations.....</i>	<i>7</i>
<i>Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....</i>	<i>7</i>
<i>Brokerage Practices .....</i>	<i>8</i>
<i>Review of Accounts .....</i>	<i>12</i>
<i>Client Referrals and Other Compensation .....</i>	<i>12</i>
<i>Custody.....</i>	<i>12</i>
<i>Investment Discretion.....</i>	<i>13</i>
<i>Voting Client Securities.....</i>	<i>14</i>
<i>Financial Information.....</i>	<i>14</i>

## Item 4 - Advisory Business

Kohlhepp Investment Advisors, Ltd.'s registration was granted by the U.S. Securities and Exchange Commission on September 24, 2001. Edward John Kohlhepp, Sr. (CRD Number 273292) is Founder, CEO and Chief Compliance Officer of the firm and controls fifty (50%) percent of the equity of the firm. Edward Kohlhepp, Jr. CRD Number 2814743 is President and controls fifty (50%) percent of the equity of the firm. The firm is not publicly owned or traded. There are no indirect owners of the firm or intermediaries who have any ownership interest in the firm. The firm manages each client's portfolio on an individualized basis. Clients may impose restrictions on their accounts. The firm does not sponsor any wrap fee programs.

As of December 31, 2023, the firm managed assets on a discretionary basis in the amount of \$168,393,988 which represented 843 accounts and on a nondiscretionary basis in the amount of \$4,816,718 which represented 57 accounts. Firm provides comprehensive financial planning services to its clients.

**Investment Management Services.** Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client, on both a discretionary and non-discretionary basis. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. We may also review and discuss a client's prior investment history, as well as family composition and background.

Account supervision is guided by the stated objectives of the client (e.g., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. Fees pertaining to this service are outlined in Item 5 of this brochure.

**Investment Advisory Services.** We offer investment management services in house, or when appropriate, by retaining third-party money managers for portfolio management services. We assist clients in selecting an appropriate allocation model, and when retaining a third-party money manager, completing the third-party money manager's investor profile questionnaire if and when available, interacting with the third-party money manager and reviewing the third-party money manager. Additionally, we will meet with the client on a periodic basis to discuss changes in their personal or financial situation, suitability, and any new or revised restrictions to be applied to the account.

**Financial Analysis.** Firm provides investment advice based on an analysis of individual client's financial data. Recommendations on the sale and purchase of investments are made on an individual basis. Once investment recommendations are made, clients may contract for periodic updates. For the "Financial Analysis" approach, Firm is compensated by this advisory client on the basis of a contractual fee. The contract is subject to termination at any time by the client. Any credit balance is refundable on a pro-rata basis.

In its work with outside custodial services such as Charles Schwab & Co., Inc. (CRD #5393), Firm shall recommend mutual funds, ETFs, Equities, Bonds and other securities which are to be selected and used.

A fee, disclosed below at item 5, will be collected monthly or quarterly in arrears or in advance.

Some Kohlhepp Investment Advisors' affiliated persons who are also registered representatives are eligible to participate in the Cambridge Investment Group, Inc.'s "Equity Participation Plan" (EPP). Cambridge Investment Group, Inc. is 100% owner of CIRA and its affiliated broker/dealer CIR. Those from Kohlhepp Investment Advisors who participate in this program do not act as officers of Cambridge. However, once the EPP units are vested and the years of service requirement is met, they will have a right to the appreciation in value of the same number of shares of Cambridge Investment Group, Inc. stock as he or she holds in vested EPP units. This arrangement between certain Kohlhepp Investment Advisor's affiliated persons who are also registered representatives and Cambridge is a potential conflict of interest between Kohlhepp Investment Advisors and its clients in that it may inhibit Kohlhepp Investment Advisors' independent judgment concerning the best execution services offered by Cambridge and its clearing broker-dealers.

#### **Item 5 - Fees and Compensation**

In some of these programs, the fee is paid by the client directly to the third-party manager and such manager pays Firm its share. In other programs, the client pays Firm directly. Payments may or may not be made through Cambridge.

**Financial Analysis:** The fee is negotiable and varies from client to client but does not exceed \$450 per hour. A deposit for the financial planning fee may be required before work will commence for the "Financial Analysis".

On some occasions a fee based on percentage of assets comprising the financial plan will be charged. This fee will not exceed two and one-half (2.5%) percent of such assets. Assets will be considered to be the current market value of the assets on the date the contract is entered into and each respective anniversary. The minimum annual fee is \$1000. The advisory fee is payable upon entering into contract and includes such direct costs as consultation, data gathering, record keeping, analysis, set up, etc. No fee shall be payable more than six (6) months in advance.

With regard to the non-securities activity, this will involve advice including but not limited to retirement, education, insurance, tax, retirement income planning and financial planning to individuals, partnerships and corporations on a fee basis up to \$450 per hour.

#### **Asset Management Services**

**Fees:** Client will pay the Advisor an advisory and administrative fee for Asset Management Services every calendar quarter (the "Management Fee"). The fee shall be based upon a percentage of assets under management up to a maximum of (2.25%) percent annually, and includes the advisory fee for the

third-party money manager, if one is used. The Management Fee, by default, is payable in advance on a quarterly basis and shall be debited directly from the Client's account following the execution of the Asset Management Agreement and an exhibit page, in which the fee is described and accepted by the client. In certain cases, a client may receive an invoice in lieu of the direct debit. If invoiced fee payments have not been made within 60 days of the billing date, Kohlhepp Investment Advisors, Ltd. reserves the right to debit the account for the overdue fee. In the event the invoice is not paid in full and on time fee collection will automatically revert to the default option, direct debit. The initial fee may be prorated to cover the period from the date the account is opened through the end of the current calendar quarter. Thereafter, the Management Fee will be based upon the net worth of the account on the last business day of the preceding calendar quarter. In certain cases and under certain circumstances, Management Fees may be reduced and/or tiered by the Advisor. In such a case, an amended fee schedule shall be provided to the client. Fees may be modified at the discretion of the Advisor with at least 30 (thirty) days prior written notice. Advisor is not being compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any other portion of the funds of the Client. Separate account managers, strategist and money managers shall impose additional fees. Additional program, platform and custodial fees may also be imposed.

**Termination:**

Either party may terminate the Asset Management Agreement at any time by providing written notice to the other party. Notwithstanding the foregoing, the Client may terminate this Agreement within five (5) business days of its signing and the Client shall be entitled to a refund of any fees paid to the Advisor before such termination date. Upon any termination of the Agreement, after the five (5) business days of its signing, the Client is entitled to a pro rata refund of any prepaid quarterly Management Fees based upon the number of days remaining in the quarter after the date upon which notice of termination is received. Termination of the Agreement does not affect liabilities or obligations incurred or arising from Asset Management Services initiated under the Agreement before such termination.

**Item 6 - Performance-Based Fees and Side-By-Side Management**

None.

**Item 7 - Types of Clients**

Individuals, High Net Worth Individuals, and ERISA Plans. The minimum investment for accounts is \$25,000. However, clients may be permitted to invest less than \$25,000 based on information provided by the client to Kohlhepp Investment Advisors, Ltd. that investing a lower amount is appropriate for the client, or the client has established additional managed accounts with the firm.

## Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Methods of securities analysis shall be fundamental and technical analysis.

**Fundamental analysis** involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience, and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

**Technical analysis** involves using chart patterns, momentum, volume, and relative strength in an effort to pick sectors that may outperform market indices. However, there is no assurance of accurate forecasts or that trends will develop in the markets we follow. In the past, there have been periods without discernible trends and similar periods will presumably occur in the future. Even where major trends develop, outside factors like government intervention could potentially shorten them.

Furthermore, one limitation of technical analysis is that it requires price movement data, which can translate into price trends sufficient to dictate a market entry or exit decision. In a trendless or erratic market, a technical method may fail to identify trends requiring action. In addition, technical methods may overreact to minor price movements, establishing positions contrary to overall price trends, which may result in losses. Finally, a technical trading method may underperform other trading methods when fundamental factors dominate price moves within a given market.

### Material Risks Involved

**All investing strategies we offer involve risk and may result in a loss of your original investment which you should be prepared to bear.** Many of these risks apply equally to stocks, bonds, commodities and any other investment or security. Material risks associated with our investment strategies are listed below.

**Market Risk:** Market risk involves the possibility that an investment's current market value will fall because of a general market decline, reducing the value of the investment regardless of the operational success of the issuer's operations or its financial condition.

**Strategy Risk:** The Adviser's investment strategies and/or investment techniques may not work as intended.

**Small and Medium Cap Company Risk:** Securities of companies with small and medium market capitalizations are often more volatile and less liquid than investments in larger companies. Small and medium cap companies may face a greater risk of business failure, which could increase the volatility of the client's portfolio.

**Turnover Risk:** At times, the strategy may have a portfolio turnover rate that is higher than other strategies. A high portfolio turnover may result in correspondingly greater transaction fees and may result in the distribution of additional capital gains for tax purposes. These factors may negatively affect the account's performance.

**Limited markets:** Certain securities may be less liquid (harder to sell or buy) and their prices may at times be more volatile than at other times. Under certain market conditions we may be unable to sell or liquidate investments at prices we consider reasonable or favorable or find buyers at any price.

**Concentration Risk:** Certain investment strategies focus on particular asset-classes, industries, sectors or types of investment. From time to time these strategies may be subject to greater risks of adverse developments in such areas of focus than a strategy that is more broadly diversified across a wider variety of investments.

**Interest Rate Risk:** Bond (fixed income) prices generally fall when interest rates rise, and the value may fall below par value or the principal investment. The opposite is also generally true: bond prices generally rise when interest rates fall. In general, fixed income securities with longer maturities are more sensitive to these price changes. Most other investments are also sensitive to the level and direction of interest rates.

**Legal or Legislative Risk:** Legislative changes or Court rulings may impact the value of investments, or the securities' claim on the issuer's assets and finances.

**Liquidity Risk:** The risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss.

**Inflation:** Inflation may erode the buying-power of your investment portfolio, even if the dollar value of your investments remains the same.

#### **Risks Associated with Securities**

Apart from the general risks outlined above which apply to all types of investments, specific securities may have other risks.

**Common stocks** may go up and down in price quite dramatically, and in the event of an issuer's bankruptcy or restructuring could lose all value. A slower-growth or recessionary economic environment could have an adverse effect on the price of all stocks.

**Corporate Bonds** are debt securities to borrow money. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity. Alternatively, investors can purchase other debt securities, such as zero-coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk.

**Bank Obligations** including bonds and certificates of deposit may be vulnerable to setbacks or panics in the banking industry. Banks and other financial institutions are greatly affected by interest rates and may be adversely affected by downturns in the U.S. and foreign economies or changes in banking regulations.

**Municipal Bonds** are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Municipal bonds pay a lower rate of return than most other types of bonds. However, because of a municipal bond's tax-favored status, investors should compare the relative after-tax return to the after-tax return of other bonds, depending on the investor's tax bracket. Investing in municipal bonds carries the same general risks as investing in bonds in general. Those risks include interest rate risk, reinvestment risk, inflation risk, market risk, call or redemption risk, credit risk, and liquidity and valuation risk.



**Options and other derivatives** carry many unique risks, including time-sensitivity, and can result in the complete loss of principal. While covered call writing does provide a partial hedge to the stock against which the call is written, the hedge is limited to the amount of cash flow received when writing the option. When selling covered calls, there is a risk the underlying position may be called away at a price lower than the current market price.

**Exchange Traded Funds** prices may vary significantly from the Net Asset Value due to market conditions. Certain Exchange Traded Funds may not track underlying benchmarks as expected.

**Investment Companies Risk.** When a client invests in open end mutual funds or ETFs, the client indirectly bears its proportionate share of any fees and expenses payable directly by those funds. Therefore, the client will incur higher expenses, many of which may be duplicative. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives). ETFs are also subject to the following risks: (i) an ETF's shares may trade at a market price that is above or below their net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally. The Adviser has no control over the risks taken by the underlying funds in which clients invest.

For clients in which we employ a third-party money manager, investment strategies and specific associated risks can be found in the Form ADV Part 2A of that third-party money manager.

## **Item 9 - Disciplinary Information**

### **Criminal or Civil Actions**

Kohlhepp Investment Advisors and its management have not been involved in any criminal or civil action.

### **Administrative Enforcement Proceedings**

Kohlhepp Investment Advisors and its management have not been involved in administrative enforcement proceedings.

### **Self-Regulatory Organization Enforcement Proceedings**

Kohlhepp Investment Advisors and its management have not been involved in legal or disciplinary events that are material to a client's or prospective client's evaluation of Kohlhepp Investment Advisors or the integrity of its management.



## **Item 10 - Other Financial Industry Activities and Affiliations**

Edward J. Kohlhepp, Sr. is a registered principal (Series 24) with Cambridge Investment Research, Inc. It is possible that as a result of this arrangement, the client may pay higher or lower commissions on the execution of a trade. All clients are always advised that they shall have total freedom to effect all securities transactions with any broker/dealer of their choice. Firm is not an affiliate of Cambridge.

Mr. Kohlhepp, through his affiliation with Cambridge Investment Research, Inc. participates in the Equity Participation Plan (EPP), which may influence his decision to be personally affiliated with Cambridge. The EPP program is a stock appreciation rights program. Once a participant's EPP's units are vested and the years of service requirement is met, the participant has a right to the appreciation in value of the same number of shares of Cambridge Investment Group Stock as he/she holds in vested EPP's Units. Mr. Kohlhepp has entered into the EPP program but is not an owner or officer of Cambridge. He is eligible to participate due to his affiliation as a registered representative of Cambridge. This arrangement is a potential conflict of interest between Kohlhepp Investment Advisors, Ltd., and its clients.

IARs of the Advisor may be licensed to sell securities in the capacity as Registered Representatives of Cambridge Investment Research, Inc, a registered broker/dealer, member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investors Protection Corporation ("SIPC"), These individuals have the ability to buy and sell securities for which they may earn a commission. As well, IARs may be licensed life insurance agents appointed with various insurance companies and may sell insurance products to clients of the Advisor. Therefore, IARs, in the capacity as a licensed life agent, may be able to implement insurance recommendations for advisory clients electing to receive this service. In this event, advisor representatives, in their separate capacities as licensed insurance agents, will receive separate and typical commission compensation for insurance and/or annuity sales. This receipt of additional compensation creates a conflict of interest since the advisor has an incentive to recommend products and services that benefit the advisor and may not be in the best interest of the client. Advisor avoids this conflict of interest by always placing the client's needs first.

The Advisor may receive certain benefits from qualified custodial firm(s). The decision to use certain broker/dealers is based on past experiences, minimizing commissions and other costs, as well as offerings or services provided, such as online access for Advisor, Advisor's IARs and clients. Other considerations may be, but are not limited to, account custody, trade execution services, clearing services, access to information and, for a fee, electronic trade entry and account information look-up services, record keeping services, exception reporting and access to various financial products.

## **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

The firm has adopted a written Code of Ethics in compliance with SEC Rule 204A-1. The code sets forth standards of conduct and requires compliance with federal securities laws. Our code also addresses personal trading and requires our employees to report their personal securities holdings and transactions

to the Chief Compliance Officer of the firm. A copy of our Code of Ethics is provided to any client or prospective client upon request.

Equity and principal officers may purchase securities, mutual funds, ETFs, fixed and/or variable annuities, limited partnerships, REITs, BDCs and interval funds that it recommends to clients. All clients of Firm are informed that the investment adviser and its employees may from time to time hold a position either directly or indirectly in securities and/or mutual funds that are recommended. No person associated with the registrant may trade in a recommended security to his or her advantage over a client.

### **Investment Advice Relating to Retirement Accounts**

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice).
- Never put our financial interests ahead of yours when making recommendations (give loyal advice).
- Avoid misleading statements about conflicts of interest, fees, and investments.
- Follow policies and procedures designed to ensure that we give advice that is in your best interest.
- Charge no more than is reasonable for our services.
- Give you basic information about conflicts of interest.

In addition, and as required by this rule, we provide information regarding the services that we provide to you, and any material conflicts of interest, in this brochure and in your client agreement.

### **Item 12 - Brokerage Practices**

Associated persons are associated with Cambridge Investment Research, Inc. and will receive commissions from their representative broker/dealers upon sale of investment products for which commissions are payable and can also receive commissions from insurance companies upon the sale of life or health insurance. In connection with Firm's consulting services, Firm receives compensation.

Clients wishing to implement the advice of the Firm's associated persons are free to select any broker they wish and are so informed. If clients wish to have the associated persons implement the advice in

their capacities as registered representatives, their broker/dealer, Cambridge Investment Research, Inc. (CIR), will be used. CIR has a wide range of approved securities products for which CIR performs due diligence when selecting. CIR's registered representatives are required to adhere to these products when implementing securities transactions. The commissions earned for these products may be higher or lower than commissions earned through another broker/dealer.

In addition, some of the Firm's affiliated persons who are also registered representatives are eligible to participate in the Cambridge Investment Group, Inc.'s "Equity Participation Plan" (EPP). Cambridge Investment Group, Inc. is 100% owner of CIRA and its affiliated broker/dealer CIR. Those from the Firm who participate in this program do not act as officers of Cambridge. However, once the EPP units are vested and the years of service requirement is met, they will have a right to the appreciation in value of the same number of shares of Cambridge Investment Group, Inc. stock as he or she holds in vested EPP units. This arrangement between certain Firm affiliated persons who are also registered representatives and Cambridge is a potential conflict of interest between the Firm and its clients in that it may inhibit the Firm's independent judgment concerning the best execution services offered by Cambridge and its clearing broker-dealers.

While the Firm has an arrangement with CIR, and the clearing broker/dealers that have contracted with CIR, at least annually, the Firm will review alternative broker/dealers and custodians in the marketplace to ensure CIR and its custodians are meeting the Firm's duty to provide best execution for client accounts. The review will include a comparison to CIR and the currently used custodians which involve evaluating criteria such as overall expertise, cost competitiveness and financial condition. The quality of execution by CIR and custodians will be reviewed through trade journal evaluations. However, best execution does not simply mean the lowest transaction cost. Therefore, no single criteria will validate nor invalidate a custodian, but rather, all criteria taken together will be used in evaluating the currently utilized custodian. The recommendation of CIR is not influenced by any soft dollar services or benefits provided to the advisor.

### **Factors Used to Select Custodians and/or Broker-Dealers**

The Firm does not have any affiliation with any custodian we recommend. Specific custodian recommendations are made to the Client based on their need for such services. We recommend custodians based on the reputation and services provided by the firm.

In recommending custodians, we have an obligation to seek the "best execution" of transactions in Client accounts. The determinative factor in the analysis of best execution is not the lowest possible commission cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of the custodian's services. The factors we consider when evaluating a custodian for best execution include, without limitation, the custodian's:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody);
- Capability to execute, clear, and settle trades (buy and sell securities for your account);

- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.);
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.);
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services;
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices;
- Reputation, financial strength, security and stability;
- Prior service to us and our clients.

With this in consideration, our firm recommends Charles Schwab & Co., Inc., a registered broker-dealer, member FINRA and SIPC (“Schwab”). Although Clients may request us to use a custodian of their choosing, we generally recommend that Clients open brokerage accounts with Schwab. We are not affiliated with Schwab. The Client will ultimately make the final decision of the custodian to be used to hold the Client’s investments by signing the selected custodian’s account opening documentation.

### **1. Research and Other Soft-Dollar Benefits**

The Firm does not have any soft-dollar arrangements with custodians whereby soft-dollar credits, used to purchase products and services, are earned directly in proportion to the amount of commissions paid by a Client. However, as a result of being on their institutional platform, Schwab may provide us with certain services and products that may benefit us. All such soft dollar benefits are consistent with the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended.

Schwab Advisor Services™ is Schwab’s business serving independent investment advisory firms like us. They provide our Clients and us with access to their institutional brokerage services (trading, custody, reporting and related services), many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our Clients’ accounts, while others help us manage and grow our business. Schwab’s support services are generally available on an unsolicited basis (we don’t have to request them) and at no charge to us. The benefits received by the Firm or its personnel do not depend on the number of brokerage transactions directed to Schwab. As part of its fiduciary duties to Clients, the Firm at all times must put the interests of its Clients first. Clients should be aware, however, that the receipt of economic benefits by the Firm or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Firm’s choice of Schwab for custody and brokerage services. This conflict of interest is mitigated as the Firm regularly reviews the factors used to select custodians to ensure our recommendation is appropriate. Following is a more detailed description of Schwab’s support services:

1. Services that benefit you. Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of Client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our Clients. Schwab's services described in this paragraph generally benefit you and your account.
2. Services that may not directly benefit you. Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our Clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our Clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:
  - provide access to Client account data (such as duplicate trade confirmations and account statements)
  - facilitate trade execution and allocate aggregated trade orders for multiple Client accounts
  - provide pricing and other market data
  - facilitate payment of our fees from our Clients' accounts
  - assist with back-office functions, recordkeeping, and Client reporting
3. Services that generally benefit only us. Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:
  - Educational conferences and events
  - Consulting on technology, compliance, legal, and business needs
  - Publications and conferences on practice management and business succession
4. Your brokerage and custody costs. For our Clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Certain trades (for example, many mutual funds and ETFs) may not incur Schwab commissions or transaction fees.

## **2. Brokerage for Client Referrals**

We receive no referrals from a custodian, broker-dealer or third-party in exchange for using that custodian, broker-dealer or third-party.

### **3. Clients Directing Which Broker/Dealer/Custodian to Use**

We do not allow clients to direct us to use a specific broker-dealer to execute transactions. Clients must use our recommended custodian (broker-dealer). Not all investment advisers require their clients to direct brokerage. By requiring clients to use our specific custodian, we may be unable to achieve most favorable execution of client transaction and that this may cost clients' money over using a lower-cost custodian.

### **Aggregating (Block) Trading for Multiple Client Accounts**

Generally, we combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion, regarding particular circumstances and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

### **Item 13 - Review of Accounts**

Reviewers include Edward J Kohlhepp, Sr., Founder & CEO and Edward J Kohlhepp, Jr., President.

Reviews are conducted at least annually. Some accounts are reviewed more frequently based upon several factors including but not limited to, a client's request, changes in a client's financial status and/or investment objectives, or if a specific market or product event warrants it. We offer electronic access to Albridge to all of our clients, which allows for access to a consolidated report of their accounts, as they so choose.

### **Item 14 - Client Referrals and Other Compensation**

We do not directly or indirectly compensate any person who is not advisory personnel for client referrals.

### **Item 15 - Custody**

Kohlhepp Investment Advisors, Ltd. does not accept custody of client funds, other than debiting fees from client accounts and standing letters of authorization (described below). Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and

maintains client's investment assets. Clients are urged to carefully review such statements and compare such official custodial records to the account statements or reports that may be provide by firm. Firm statements or reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

For client account in which Kohlhepp Investment Advisers, Ltd. directly debits their advisory fee:

- i. The custodian will send at least quarterly statements to the client showing all disbursements for the account, including the amount of the advisory fee.
- ii. The client will provide written authorization to Kohlhepp, permitting them to be paid directly for their accounts held by the custodian.

Standing Letters of Authorization: Kohlhepp Investment Advisers, Ltd. does maintain a standing letter of authorization (SLOA) where the funds or securities are being sent to a third party, and the following conditions are met:

- a. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- b. The client authorizes Kohlhepp Investment Advisers, Ltd., in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- c. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer.
- d. The client has the ability to terminate or change the instruction to the client's qualified custodian.
- e. Kohlhepp Investment Advisers, Ltd. has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- f. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.
- g. Kohlhepp Investment Advisers, Ltd. maintains records showing that the third party is not a related party of Kohlhepp Investment Advisers, Ltd. or located at the same address as Kohlhepp Investment Advisers, Ltd.

#### **Item 16 - Investment Discretion**

Kohlhepp Investment Advisers, Ltd. will have, in its discretion, the power and authority to supervise and direct the account investments including the authority to buy, sell, exchange, convert or otherwise trade in any security. All transactions entered on behalf of the client shall be consistent with the client's stated financial condition and investment objectives.



#### **Item 17 - Voting Client Securities**

Firm shall not vote proxy statements on behalf of advisory clients.

#### **Item 18 - Financial Information**

Firm does not have custody of client funds or securities or require or solicit prepayment of more than \$1200 in fees per client six months in advance.