

# Steigerwald, Gordon & Koch Inc.

SEC File Number: 801 – 55694

## **ADV Part 2A, Brochure**

**Dated: March 8, 2017**

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This Brochure provides information about the qualifications and business practices of Steigerwald, Gordon & Koch Inc. (“Steigerwald, Gordon & Koch”). If you have any questions about the contents of this Brochure, please contact us at (703) 777-8826 or [John@SGKWealthAdvisors.com](mailto:John@SGKWealthAdvisors.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 Steigerwald, Gordon & Koch Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Steigerwald, Gordon & Koch Inc. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## **Item 2           Material Changes**

There have been no material changes made to Steigerwald, Gordon & Koch's Part 2A Brochure since the March 11, 2016 annual update filing. However, Steigerwald, Gordon & Koch has made disclosure deletions and enhancements at Items 4, 5, 7 and 8 below, regarding "tradeaways" mutual funds and minimum fees.

**ANY QUESTIONS: Steigerwald, Gordon & Koch's Chief Compliance Officer, John Steigerwald, remains available to address any questions that an existing or prospective client may have regarding this Brochure, including the disclosure deletions and enhancements below.**

## **Item 3           Table of Contents**

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

#### **Item 4            Advisory Business**

- A. Steigerwald, Gordon & Koch Inc. (“Steigerwald, Gordon & Koch”) is a corporation formed on June 17, 1996 in the Commonwealth of Virginia. Steigerwald, Gordon & Koch became registered as an Investment Adviser Firm in June 1996. Steigerwald, Gordon & Koch is principally owned by John S. Steigerwald. Steigerwald, Gordon & Koch’s officers are John S. Steigerwald, Chief Executive Officer; Jeffrey A. Gordon, President; Darren A. Koch, Vice President; and Karen Showalter, Secretary/Treasurer.
- B. As discussed below, Steigerwald, Gordon & Koch offers to its clients (individuals, high net worth individuals, pensions and profit sharing plans, business entities, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

#### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage Steigerwald, Gordon & Koch to provide discretionary investment advisory services on a *fee-only* basis. Steigerwald, Gordon & Koch’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under Steigerwald, Gordon & Koch’s management. Before engaging Steigerwald, Gordon & Koch to provide investment advisory services, clients are required to enter into an Investment Advisory Agreement with Steigerwald, Gordon & Koch setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

Steigerwald, Gordon & Koch’s annual investment advisory fee shall include investment advisory services, and, to the extent specifically requested by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of Steigerwald, Gordon & Koch), Steigerwald, Gordon & Koch may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

Before Steigerwald, Gordon & Koch provides such investment advisory services, an investment adviser representative will work with each client to ascertain their investment objectives. Thereafter, Steigerwald, Gordon & Koch will allocate client investment assets consistent with the designated investment objectives. Once allocated, Steigerwald, Gordon & Koch provides ongoing monitoring and review of account performance and asset allocation as compared to client investment objectives, and may rebalance the account based on such reviews.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent requested by a client, Steigerwald, Gordon & Koch may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Prior to engaging Steigerwald, Gordon & Koch to provide planning or consulting services, clients are generally required to enter into a Financial Planning and Consulting Agreement with Steigerwald, Gordon & Koch setting forth the terms and conditions of the engagement (including termination), describing the scope of

the services to be provided, and the portion of the fee that is due from the client prior to Steigerwald, Gordon & Koch commencing services. If requested by the client, Steigerwald, Gordon & Koch may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Steigerwald, Gordon & Koch. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify Steigerwald, Gordon & Koch if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Steigerwald, Gordon & Koch's previous recommendations and/or services.

### **MISCELLANEOUS**

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** As indicated above, to the extent requested by a client, Steigerwald, Gordon & Koch may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. **Please Note:** Steigerwald, Gordon & Koch **does not** serve as an attorney, accountant, or insurance agency, and no portion of its services should be construed as legal, accounting, or insurance implementation services. Accordingly, Steigerwald, Gordon & Koch **does not** prepare estate planning documents, tax returns or sell insurance products. To the extent requested by a client, Steigerwald, Gordon & Koch may recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys, accountants, insurance, etc). Clients are reminded that they are under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation made by Steigerwald, Gordon & Koch or its representatives. **Please Note:** If the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

**Retirement Plan Rollovers – No Obligation / Potential for Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Steigerwald, Gordon & Koch recommends that a client roll over their retirement plan assets into an account to be managed by Steigerwald, Gordon & Koch, such a recommendation creates a conflict of interest if Steigerwald, Gordon & Koch will earn an advisory fee on the rolled over assets. **No client is under any obligation to roll over plan assets to an IRA managed by Steigerwald, Gordon & Koch or to engage Steigerwald, Gordon & Koch to monitor and/or manage the account while maintained at the client's employer. Steigerwald, Gordon & Koch's Chief Compliance Officer, John Steigerwald, remains available to address any questions that a client or prospective client may have regarding its prospective engagement and the corresponding conflict of interest presented by such engagement.**

**Client Obligations.** In performing its services, Steigerwald, Gordon & Koch shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify Steigerwald, Gordon & Koch if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Steigerwald, Gordon & Koch's previous recommendations and/or services.

**Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Steigerwald, Gordon & Koch) will be profitable or equal any specific performance level(s).

**Disclosure Statement.** A copy of Steigerwald, Gordon & Koch's written Brochure as set forth on Part 2 of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the Investment Advisory Agreement or Financial Planning and Consulting Agreement.

- C. Steigerwald, Gordon & Koch shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, Steigerwald, Gordon & Koch shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on Steigerwald, Gordon & Koch's services.
- D. Steigerwald, Gordon & Koch does not participate in a wrap fee program.
- E. As of December 31, 2016, Steigerwald, Gordon & Koch had \$511,252,924 in assets under management on a discretionary basis.

## **Item 5            Fees and Compensation**

A.

### **INVESTMENT ADVISORY SERVICES**

If a client determines to engage Steigerwald, Gordon & Koch to provide discretionary investment advisory services on a *fee-only* basis, Steigerwald, Gordon & Koch's annual investment advisory fee shall generally be based upon a percentage (%) of the market value and type of assets placed under Steigerwald, Gordon & Koch's management (between negotiable and 1.00%) as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
First \$1,000,000	1.00%
Next \$1,000,001 to \$2,000,000	0.75%
Next \$2,000,001 to \$5,000,000	0.50%
Next \$5,000,001 to \$10,000,000	0.40%
Next \$10,000,001 +	0.30%

## **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, Steigerwald, Gordon & Koch may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Steigerwald, Gordon & Koch's planning and consulting fees are negotiable, but generally are \$75 to \$300 on an hourly rate basis depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have Steigerwald, Gordon & Koch's advisory fees deducted from their custodial account. Steigerwald, Gordon & Koch's Investment Advisory Agreement and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Steigerwald, Gordon & Koch's investment advisory fee and to directly remit that management fee to Steigerwald, Gordon & Koch in compliance with regulatory procedures. In the limited event that Steigerwald, Gordon & Koch bills the client directly, payment is due upon receipt of Steigerwald, Gordon & Koch's invoice. Steigerwald, Gordon & Koch shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, Steigerwald, Gordon & Koch shall generally recommend that Charles Schwab and Co., Inc. an SEC-registered and FINRA/SIPC member broker-dealer/custodian ("Schwab") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Steigerwald, Gordon & Koch's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. Steigerwald, Gordon & Koch's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The Investment Advisory Agreement between Steigerwald, Gordon & Koch and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. Steigerwald, Gordon & Koch shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of months remaining in the billing quarter.
- E. Neither Steigerwald, Gordon & Koch, nor its representatives, accepts compensation from the sale of securities or other investment products.

## **Item 6            Performance-Based Fees and Side-by-Side Management**

Neither Steigerwald, Gordon & Koch nor any supervised person of Steigerwald, Gordon & Koch accepts performance-based fees.

## **Item 7           Types of Clients**

Steigerwald, Gordon & Koch's clients shall generally include individuals, high net worth individuals, pensions and profit sharing plans, business entities, trusts, estates and charitable organizations. Steigerwald, Gordon & Koch, in its sole discretion, may charge a lesser advisory fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. Steigerwald, Gordon & Koch may utilize the following methods of security analysis:
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
  - Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

Steigerwald, Gordon & Koch may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Steigerwald, Gordon & Koch) will be profitable or equal any specific performance level(s).

- B. Steigerwald, Gordon & Koch's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis Steigerwald, Gordon & Koch must have access to current/new market information. Steigerwald, Gordon & Koch has no control over the dissemination rate of market information; therefore, unbeknownst to Steigerwald, Gordon & Koch, certain analyses may be compiled with outdated market information, severely limiting the value of Steigerwald, Gordon & Koch's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Steigerwald, Gordon & Koch's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

- C. Currently, Steigerwald, Gordon & Koch primarily allocates client investment assets among various individual equity (stocks), debt (bonds), mutual funds, exchange traded funds, and other fixed income securities on a discretionary basis in accordance with the client's designated investment objective(s).

#### **Item 9           Disciplinary Information**

Steigerwald, Gordon & Koch has not been the subject of any disciplinary actions.

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

- A. Neither Steigerwald, Gordon & Koch, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither Steigerwald, Gordon & Koch, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. Steigerwald, Gordon & Koch has no other relationship or arrangement with a related person that is material to its advisory.
- D. Steigerwald, Gordon & Koch does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. Steigerwald, Gordon & Koch maintains an investment policy relative to personal securities transactions. This investment policy is part of Steigerwald, Gordon & Koch's overall Code of Ethics, which serves to establish a standard of business conduct for all of Steigerwald, Gordon & Koch's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Steigerwald, Gordon & Koch also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Steigerwald, Gordon & Koch or any person associated with Steigerwald, Gordon & Koch.

- B. Neither Steigerwald, Gordon & Koch nor any related person of Steigerwald, Gordon & Koch recommends, buys, or sells for client accounts, securities in which Steigerwald, Gordon & Koch or any related person of Steigerwald, Gordon & Koch has a material financial interest.
- C. Steigerwald, Gordon & Koch and/or representatives of Steigerwald, Gordon & Koch may buy or sell securities that are also recommended to clients. This practice may create a situation where Steigerwald, Gordon & Koch and/or representatives of Steigerwald, Gordon & Koch are in a position to materially benefit from the sale or purchase of those



securities. Therefore, this situation creates a potential conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Steigerwald, Gordon & Koch did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of Steigerwald, Gordon & Koch’s clients) and other potentially abusive practices.

Steigerwald, Gordon & Koch has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Steigerwald, Gordon & Koch’s “Access Persons”. Steigerwald, Gordon & Koch’s securities transaction policy requires that an Access Person of Steigerwald, Gordon & Koch must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date Steigerwald, Gordon & Koch selects; provided, however that at any time that Steigerwald, Gordon & Koch has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. Steigerwald, Gordon & Koch and/or representatives of Steigerwald, Gordon & Koch may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Steigerwald, Gordon & Koch and/or representatives of Steigerwald, Gordon & Koch are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, Steigerwald, Gordon & Koch has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Steigerwald, Gordon & Koch’s Access Persons.

## **Item 12      Brokerage Practices**

- A. In the event that the client requests that Steigerwald, Gordon & Koch recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Steigerwald, Gordon & Koch to use a specific broker-dealer/custodian), Steigerwald, Gordon & Koch generally recommends that investment management accounts be maintained at Schwab. Prior to engaging Steigerwald, Gordon & Koch to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Steigerwald, Gordon & Koch setting forth the terms and conditions under which Steigerwald, Gordon & Koch shall manage the client’s assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Steigerwald, Gordon & Koch considers in recommending Schwab (or any other broker-dealer/custodian to clients) include historical relationship with Steigerwald, Gordon & Koch, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Steigerwald, Gordon & Koch’s clients shall comply with Steigerwald, Gordon & Koch’s duty to

obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Steigerwald, Gordon & Koch determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Steigerwald, Gordon & Koch will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Steigerwald, Gordon & Koch's investment management fee. Steigerwald, Gordon & Koch's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Non-Soft Dollar Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Steigerwald, Gordon & Koch may receive from Schwab (or another broker-dealer/custodian, investment platform, unaffiliated investment manager, vendor, and/or product/fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist Steigerwald, Gordon & Koch to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Steigerwald, Gordon & Koch may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis travel and attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Steigerwald, Gordon & Koch in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that may be received may assist Steigerwald, Gordon & Koch in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Steigerwald, Gordon & Koch to manage and further develop its business enterprise.

Steigerwald, Gordon & Koch's clients do not pay more for investment transactions effected and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by Steigerwald, Gordon & Koch to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**Steigerwald, Gordon & Koch's Chief Compliance Officer, John S. Steigerwald, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

2. Schwab Referrals

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

Steigerwald, Gordon & Koch 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 that are maintained at, or transferred to, another custodian. The Participation Fee paid by Steigerwald, Gordon & Koch is a percentage of the fees owed by the client to Steigerwald, Gordon & Koch or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. Steigerwald, Gordon & Koch pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to Steigerwald, Gordon & Koch quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by Steigerwald, Gordon & Koch and not by the client. Steigerwald, Gordon & Koch has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs Steigerwald, Gordon & Koch charges clients with similar portfolios (pursuant to Steigerwald, Gordon & Koch's standard fee schedule as in effect from time to time) who were not referred through the Service.

Steigerwald, Gordon & Koch 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, unless 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 in custody other than at Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Steigerwald, Gordon & Koch generally would pay in a single year. Thus, Steigerwald, Gordon & Koch 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 Steigerwald, Gordon & Koch's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, Steigerwald, Gordon & Koch will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit Steigerwald, Gordon & Koch's fees directly from the accounts.

For accounts of Steigerwald, Gordon & Koch's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from Steigerwald, Gordon & Koch's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable

commission on trades it executes) for clearance and settlement of trades to be executed through Schwab rather than another broker-dealer. Steigerwald, Gordon & Koch nevertheless acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for Steigerwald, Gordon & Koch's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

**Steigerwald, Gordon & Koch's Chief Compliance Officer, John S. Steigerwald, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest such arrangement may create.**

3. **Directed Brokerage.** Steigerwald, Gordon & Koch does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Steigerwald, Gordon & Koch will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Steigerwald, Gordon & Koch. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Steigerwald, Gordon & Koch to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Steigerwald, Gordon & Koch. Higher transaction costs adversely impact account performance.

**Steigerwald, Gordon & Koch's Chief Compliance Officer, John S. Steigerwald, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that Steigerwald, Gordon & Koch provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Steigerwald, Gordon & Koch decides to purchase or sell the same securities for several clients at approximately the same time. Steigerwald, Gordon & Koch may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Steigerwald, Gordon & Koch's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Steigerwald, Gordon & Koch shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom Steigerwald, Gordon & Koch provides investment supervisory services, account reviews are conducted on an ongoing basis by Steigerwald, Gordon & Koch's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise Steigerwald, Gordon & Koch of any changes in their investment objectives and/or financial situation. All clients (in person, via telephone or email) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with Steigerwald, Gordon & Koch on an annual basis.
- B. Steigerwald, Gordon & Koch **may** conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Steigerwald, Gordon & Koch may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, Steigerwald, Gordon & Koch receives economic benefits from Schwab, including support services and/or products without cost or at a discount. Steigerwald, Gordon & Koch's clients do not pay more for investment transactions effected and/or assets maintained at Schwab as a result of this arrangement. There is no corresponding commitment made by Steigerwald, Gordon & Koch to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**Steigerwald, Gordon & Koch's Chief Compliance Officer, John S. Steigerwald, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. If a client is introduced to Steigerwald, Gordon & Koch by either an unaffiliated or an affiliated solicitor, Steigerwald, Gordon & Koch may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Steigerwald, Gordon & Koch's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to Steigerwald, Gordon & Koch by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of their solicitor relationship, and shall provide each prospective client with a copy of Steigerwald, Gordon & Koch's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between Steigerwald, Gordon & Koch and the solicitor, including the compensation to be received by the solicitor from Steigerwald, Gordon & Koch.

## **Item 15           Custody**

Steigerwald, Gordon & Koch shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Steigerwald, Gordon & Koch may also provide a written periodic report summarizing account activity and performance. In preparing this report Steigerwald, Gordon & Koch has relied upon account/investment information provided by the account custodian, and pricing information provided by Schwab, the primary account custodian used by Steigerwald, Gordon & Koch's clients.

**Please Note:** To the extent that Steigerwald, Gordon & Koch provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Steigerwald, Gordon & Koch with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of Steigerwald, Gordon & Koch's advisory fee calculation.

## **Item 16           Investment Discretion**

The client can determine to engage Steigerwald, Gordon & Koch to provide investment advisory services on a discretionary basis. Prior to Steigerwald, Gordon & Koch assuming discretionary authority over a client's account, the client shall be required to execute an Investment Advisory Agreement, naming Steigerwald, Gordon & Koch as the client's attorney and agent in fact, granting Steigerwald, Gordon & Koch full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage Steigerwald, Gordon & Koch on a discretionary basis may, at anytime, impose restrictions, **in writing**, on Steigerwald, Gordon & Koch's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Steigerwald, Gordon & Koch's use of margin, etc.).

## **Item 17           Voting Client Securities**

Unless a client directs otherwise in writing, Steigerwald, Gordon & Koch, in conjunction with the proxy voting and due diligence services provided by Broadridge Financial Solutions, Inc., or its successors or assigns, shall be responsible for directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted. Steigerwald, Gordon & Koch and/or the client shall correspondingly instruct each custodian of the assets to forward to Steigerwald, Gordon & Koch copies of all proxies and shareholder communications relating to the assets. Steigerwald, Gordon & Koch, in conjunction with the services provided by Broadridge Financial Solutions, Inc., shall monitor corporate actions of individual issuers and investment companies consistent with Steigerwald, Gordon & Koch's fiduciary duty to vote proxies in the best interests of its clients. With respect to individual issuers, Steigerwald, Gordon & Koch may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and

corporate responsibility. With respect to investment companies (e.g., mutual funds), Steigerwald, Gordon & Koch may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. Steigerwald, Gordon & Koch shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2(c)(2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how Steigerwald, Gordon & Koch voted on any specific proxy issue is also available upon written request. In addition, information pertaining to how Steigerwald, Gordon & Koch voted on any specific proxy issue is also available upon written request. Requests should be made by contacting Steigerwald, Gordon & Koch's Chief Compliance Officer, John S. Steigerwald.

## **Item 18      Financial Information**

- A. Steigerwald, Gordon & Koch does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. Steigerwald, Gordon & Koch is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. Steigerwald, Gordon & Koch has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: Steigerwald, Gordon & Koch's Chief Compliance Officer, John S. Steigerwald, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**