

# Steigerwald, Gordon & Koch Inc.

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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 Inc.'s disclosure statement since last year's Annual Amendment filing on March 12, 2012.

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#### **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 Margaret Ann Gibson, Secretary/Treasurer.
- B. As discussed below, Steigerwald, Gordon & Koch offers to its clients (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, generally between 1.00% and negotiable.

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.

#### **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. 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). 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 his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Steigerwald, Gordon & Koch's previous recommendations and/or services.

#### **MISCELLANEOUS**

**Non-Investment Consulting/Implementation Services.** To the extent requested by the client, Steigerwald, Gordon & Koch may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither Steigerwald, Gordon & Koch, nor any of its representatives, serves as an attorney, accountant, or licensed insurance agent, and no portion of Steigerwald, Gordon & Koch's services should be construed as same. To the extent requested by a client, Steigerwald, Gordon & Koch may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.). 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 his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Steigerwald, Gordon & Koch's previous recommendations and/or services.

**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 his/her/its responsibility to promptly notify Steigerwald, Gordon & Koch if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Steigerwald, Gordon & Koch's previous recommendations and/or services.

**Disclosure Statement.** A copy of Steigerwald, Gordon & Koch's written Brochure as set forth on Part 2A 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, 2012, Steigerwald, Gordon & Koch had \$279,630,471 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 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%

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.

### 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. ("*Schwab*") or Fidelity Investments ("*Fidelity*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* and *Fidelity* 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).

**Tradeaway/Prime Broker Fees.** Relative to its discretionary investment management services, when beneficial to the client, individual fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate “tradeaway” and/or prime broker fee charged by the account custodian (*Schwab* or *Fidelity*).

- 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*. Upon termination with thirty (30) days written notice, 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, pensions and profit sharing plans, business entities, trusts, estates and charitable organizations. Steigerwald, Gordon & Koch generally requires an annual minimum fee of \$6,000 and a minimum asset level of \$600,000 for investment advisory services. Additionally, Steigerwald, Gordon & Koch reserves the right to charge 1.5% on client assets that are below \$400,000. The fees charged may be higher or lower than the cost of similar services offered through other registered investment advisors. Clients may be able to obtain similar services for a lesser fee from other investment advisors. Steigerwald, Gordon & Koch, in its sole discretion, may charge a lesser investment management fee and/or waive or reduce its minimum fee or asset requirement 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)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**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.

In addition to the fundamental investment strategies discussed above, Steigerwald, Gordon & Koch may also implement and/or recommend –option transactions; this strategy has a high level of inherent risk. (*See discussion below*).

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by Steigerwald, Gordon & Koch shall be

with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by Steigerwald, Gordon & Koch is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct Steigerwald, Gordon & Koch, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. Currently, Steigerwald, Gordon & Koch primarily allocates client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, mutual funds and/or exchange traded funds ("ETFs"), 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* or *Fidelity*. 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 *Fidelity* (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 relation to the value of the brokerage and research services received. 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. 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 *Fidelity* (or another broker-dealer/custodian) 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 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* or *Fidelity* as a result of this arrangement. There is no corresponding commitment made by Steigerwald, Gordon & Koch to *Schwab* or *Fidelity* 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.**

#### 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.**

2. As set forth above, Steigerwald, Gordon & Koch may receive client referral from Schwab for its participation in the Schwab Advisor Network™.

**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. 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.

**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 or via telephone) 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 may receive a direct economic benefit from *Schwab and/or Fidelity*. Steigerwald, Gordon & Koch, without cost (and/or at a discount), may receive support services and/or products from *Schwab and/or Fidelity*.

Steigerwald, Gordon & Koch’s clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* or *Fidelity* as a result of this arrangement. There is no corresponding commitment made by Steigerwald, Gordon & Koch to *Schwab* or *Fidelity* 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 his/her/its 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 the client directs otherwise in writing, Steigerwald, Gordon & Koch is responsible for voting client proxies (**However**, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits.). Steigerwald, Gordon & Koch shall vote proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request. Steigerwald, Gordon & Koch 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. Although the factors which Steigerwald, Gordon & Koch will consider when determining how it will vote differ on a case by case basis, they may, but are not limited to, include the following: a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on employees and executive and director compensation. 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. 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.**