Item 1 Cover Page

Stepp & Rothwell, Inc.

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Brochure
Dated March 31, 2026

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This brochure provides information about the qualifications and business practices of Stepp & Rothwell, Inc. (Stepp & Rothwell). If you have any questions about the contents of this brochure, please contact us at (913) 345-4800 or info@steppandrothwell.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 Stepp & Rothwell, Inc., also is available on the SEC's website at www.adviserinfo.sec.gov.

Additional disclosure information can be found at www.steppandrothwell.com/important-disclosures.

Registration as an investment adviser does not imply a certain level of skill or training.

Item 2 Material Changes

There have been no material changes to Stepp & Rothwell's Part 2A Brochure since last year's Annual Amendment filing on March 31, 2025. Stepp & Rothwell has made non-material disclosure enhancements at Item 4 below. **ANY QUESTIONS:** Stepp & Rothwell Chief Compliance Officer, Howard Rothwell, remains available to address any questions regarding this amended Part 2A.

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Item 4 Advisory Business

A. Stepp & Rothwell, Inc. (Stepp & Rothwell) is a corporation formed on July 13, 1992, in the state of Kansas. Stepp & Rothwell became registered as an Investment Adviser Firm in 1995. Stepp & Rothwell is owned by Kenneth Joseph Eaton and Amy Marie Guerich. Kenneth Eaton is Stepp & Rothwell's Managing Partner.

B. Stepp & Rothwell offers to its clients (individuals, business entities, trusts, estates, and charitable organizations, etc.) both financial planning and related consulting services and investment advisory services.

The client can engage Stepp *&* Rothwell to provide <u>combined</u> financial planning and consulting services, including discretionary investment advisory services, on a *fee-only* basis. Stepp & Rothwell's financial planning and consulting services may include retirement planning, estate tax planning, income tax planning, cash flow planning, risk management (insurance) planning, education planning, and investment planning based upon the specific needs of the client.

MISCELLANEOUS

<u>Stand-Alone Investment Supervision Services.</u> Stepp & Rothwell may provide investment supervision services on a stand-alone basis in accordance with its Investment Supervision fee schedule (see Item 5). **<u>Please Note:</u>** In such event, Stepp & Rothwell shall not provide any financial planning and consulting services.

<u>Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.</u> To the extent requested by a client, Stepp & Rothwell will generally provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Stepp & Rothwell **<u>does not</u>** serve as an attorney, accountant, or insurance agency, and no portion of our services should be construed as same. Accordingly, Stepp & Rothwell **<u>does not</u>** prepare estate planning documents, tax returns or sell insurance products. To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys, accountants, insurance, etc). The client is under no obligation to engage the services of any such recommended professional and retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation that we make. **<u>Please Note:</u>** 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. At all times, the engaged licensed professional(s) (ie attorney, accountant, insurance agent, etc), and **not** Stepp & Rothwell, shall be responsible for the quality and competency of the services provided. <u>Please **Also Note:**</u> It remains the client's responsibility to promptly notify Stepp & Rothwell if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Stepp & Rothwell's previous recommendations and/or services.

PLEASE NOTE: RETIREMENT ROLLOVERS-No Obligation/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 a 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 Stepp & Rothwell recommends that a client roll over his or her retirement plan assets into an account to be managed by Stepp & Rothwell, such a recommendation could create a conflict of interest if Stepp & Rothwell would earn new (or increase its current) compensation as a result of the rollover. However, this is rarely the case, because Stepp & Rothwell's annual retainer fee is based on all the client's investment assets regardless of the type of account in which they are held. When acting in such capacity, Stepp & Rothwell serves as a fiduciary under the Employee Retirement Income Security Act (ERISA), or the Internal Revenue Code, or both. **ANY QUESTIONS:** Stepp & Rothwell's Chief Compliance Officer, Howard Rothwell, remains available to address any questions that a client or prospective client may have regarding the above and the corresponding conflict of interest presented by such engagement.

Unaffiliated Private Investment Funds. Stepp & Rothwell may also provide investment advice regarding unaffiliated private investment funds. Stepp & Rothwell, on a non-discretionary basis, may recommend that certain qualified clients consider an investment in unaffiliated private investment funds. Stepp & Rothwell's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of Stepp & Rothwell calculating its investment advisory fee. **Stepp & Rothwell's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).**

Please Note: Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund and acknowledges and accepts the various risk factors that are associated with such an investment.

Please Also Note: Valuation. In the event that Stepp & Rothwell references private investment funds owned by the client on any account reports prepared by Stepp & Rothwell, the value(s) for all private investment funds owned by the client shall reflect the most recent valuation provided by the fund sponsor. If no post-purchase valuation is provided by the Fund Sponsor, then the valuation shall reflect the initial purchase price. If the valuation reflects initial purchase price (or a value as of a previous date), the current value (to the extent ascertainable) could be significantly more or less than the original purchase price. The client's advisory fee shall be based upon reflected fund value(s).

Please Note-Use of Mutual Funds: Most mutual funds are available directly to the public. Thus, a client can obtain many of the mutual funds that may be recommended and/or utilized by Stepp & Rothwell independently of engaging Stepp & Rothwell as an investment advisor. However, if a prospective client does so, then he/she/they will not receive Stepp & Rothwell's initial and ongoing investment advisory services.

Many mutual funds offer a number of share classes that differ only with respect to their level of management and other fees. It is Stepp & Rothwell's practice to use the appropriate share class for

its clients. This is usually the share class with the lowest fees for which the client qualifies. However, there could be situations in which the use of a higher-fee share class is appropriate, such as using a share class that would avoid transaction fees. Stepp & Rothwell and its supervised persons never receive compensation from commissions or 12b-1 marketing fees from mutual funds.

Charles Schwab. As discussed below at Item 12, when requested to recommend a brokerdealer/custodian for client accounts, Stepp & Rothwell generally recommends that *Charles Schwab & Co, Inc.* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Charles Schwab & Co, Inc.* charge brokerage commissions, transaction, and/or other type fees for effecting certain types of securities transactions (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.) The types of securities for which transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ depending upon the broker-dealer/custodian/custodian (While certain custodians, including *Charles Schwab & Co, Inc.*, do not currently charge fees on individual equity transactions, others do). These fees/charges are in addition to Stepp & Rothwell's investment advisory fee at Item 5 below. Stepp & Rothwell does not receive any portion of these fees/charges.

Portfolio Activity. Stepp & Rothwell has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Stepp & Rothwell will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, mutual fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Stepp & Rothwell determines that changes to a client's portfolio are neither necessary nor prudent. Clients are still subject to the fees described in Item 5 below, even during periods of account inactivity. Of course, as indicated below, there can be no assurance that investment decisions made by Stepp & Rothwell will be profitable or equal any specific performance level(s).

Client Obligations. In performing its services, Stepp & Rothwell 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 Stepp & Rothwell if there is ever any change in his/her/their financial situation or investment objectives for the purpose of reviewing/evaluating/revising Stepp & Rothwell's previous recommendations and/or services.

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 Stepp & Rothwell) will be profitable or equal any specific performance level(s).

C. Stepp & Rothwell 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, Stepp & Rothwell shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on Stepp & Rothwell's services. D. Stepp & Rothwell does not participate in a wrap fee program.

E. As of December 31, 2025, Stepp & Rothwell had $954,395,792 in assets under management on a discretionary basis and $100,720,900 on a nondiscretionary basis.

Item 5 Fees and Compensation

A. If a client engages Stepp & Rothwell to provide combined financial planning and consulting services and discretionary investment advisory services on a *fee-only* basis, Stepp & Rothwell's annual retainer fee shall be determined in accordance with the following financial planning and investment advisory fee schedule:

Annual Retainer Fee: $7,500 + 0.50% of Total Investment Assets

Stepp & Rothwell may offer only discretionary investment management services to certain clients. These clients will not receive financial planning services. Stepp & Rothwell's annual retainer fee shall be determined in accordance with the following investment management only fee schedule:

Investment Management-Only Annual Retainer Fee: 1.0% of Total Investment Assets.

Please Note: Fees are negotiable. Stepp & Rothwell, in its sole discretion, may charge a lesser Retainer 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, complexity of the engagement, anticipated services to be rendered, grandfathered fee schedules, employees and family members, courtesy accounts, competition, negotiations with client, etc.). Clients who engaged Stepp & Rothwell before April 1, 2017, are grandfathered under prior fee schedules. Clients under some grandfathered fee schedules are subject to an annual minimum fee of $10,000. **Please Note**: As a result of the above, similarly situated clients could pay different fees.

Margin Accounts: Risks/Conflicts of Interest. Stepp and Rothwell does not recommend the use of margin for investment purposes. A *margin account* is a brokerage account that allows investors to borrow money to buy securities. By using borrowed funds, the customer is employing leverage that will magnify both account gains and losses. The broker charges the investor interest for the right to borrow money and uses the securities as collateral. Should a client determine to use margin, Stepp & Rothwell will include the entire market value of the margined assets when computing its advisory fee. Accordingly, Stepp & Rothwell's fee shall be based upon a higher margined account value, resulting in Stepp & Rothwell earning a correspondingly higher advisory fee. As a result, the potential of conflict of interest arises since Stepp & Rothwell may have an economic disincentive to recommend that the client terminate the use of margin. **ANY QUESTIONS: Our Chief Compliance Office, Howard Rothwell, remains available to address any questions that a client or prospective client may have regarding the use of margin.**

Borrowing Against Assets/Risks. A client who has a need to borrow money could determine to do so by using:

- **Margin**- The account custodian or broker-dealer lends money to the client. The custodian charges the client interest for the right to borrow money, and uses the assets in the client's brokerage account as collateral: and,
- **Pledged Assets Loan**- In consideration for a lender (i.e. a bank, etc.) to make a loan to the client the client pledges its investment assets held at the account custodian as collateral:

These above-described collateralized loans are generally utilized because they typically provide more favorable interest rates than standard commercial loans. These types of collateralized loans can assist with a pending home purchase, permit the retirement of more expensive debt, or enable borrowing in

lieu of liquidating existing account positions and incurring capital gains taxes. However, such loans are not without potential material risk to the client's investment assets. The lender (i.e., custodian, bank, etc.) will have recourse against the client's investment assets in the event of loan default or if the assets fall below a certain level. For this reason, Stepp & Rothwell does not recommend such borrowing unless it is for specific short-term purposes (i.e., a bridge loan to purchase a new residence). Stepp & Rothwell does not recommend such borrowing for investment purposes (i.e., to invest the borrowed funds in the market). Regardless, if the client was to determine to utilize margin or a pledged assets loan, the following economic benefits would inure to Stepp & Rothwell:

- By taking the loan rather than liquidating assets in the client's account, Stepp & Rothwell continues to earn a fee on such Account assets; and
- If the client invests any portion of the loan proceeds in an account to be managed by Stepp & Rothwell, Stepp & Rothwell will receive an advisory fee on the invested amount; and
- If Stepp & Rothwell's advisory fee is based upon the higher margined account value, Stepp & Rothwell will earn a correspondingly higher advisory fee. This could provide Stepp & Rothwell with a disincentive to encourage the client to discontinue the use of margin.

Please note: The Client must accept the above risks and potential corresponding consequences associated with the use of margin or a pledged assets loans.

B. Clients may elect to have Stepp & Rothwell's advisory fees deducted from their custodial accounts. Both Stepp & Rothwell's *Investment Advisory Agreement* and the client's custodial/clearing agreement may authorize a custodian to debit the client's accounts for the amount of Stepp & Rothwell's investment advisory fee and to directly remit that management fee to Stepp & Rothwell in compliance with regulatory procedures. In the event that Stepp & Rothwell bills the client directly, payment is due upon receipt of Stepp & Rothwell's invoice.

C. As discussed below, unless the client directs otherwise, or an individual client's circumstances require, Stepp & Rothwell shall generally recommend that Charles Schwab and Co., Inc. *("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, and commissions are charged for individual equity and fixed income securities transactions). In addition to Stepp & Rothwell'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). When beneficial to the client, individual fixed income transactions may be effected through broker-dealers other than the account custodian with whom Stepp & Rothwell and/or the client have entered into arrangements for prime brokerage clearing services 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 "trade away" and/or prime broker fee charged by the account custodian (Schwab).

D. Stepp & Rothwell's investment advisory annual retainer fee is determined annually on each anniversary of the initial month in which services were provided in accordance with the above fee schedules and thereafter paid in advance in equal quarterly installments.

The *Investment Advisory Agreement* between Stepp & Rothwell 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, Stepp & Rothwell shall determine the portion of the pre-paid fee that is unearned, if any, and refund the unearned portion to the client.

E. Neither Stepp & Rothwell nor its representatives accept compensation from the sale of securities or other investment products.

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

Neither Stepp & Rothwell nor any supervised person of Stepp & Rothwell accepts performance-based fees.

Item 7 Types of Clients

Stepp & Rothwell's clients shall generally include individuals, business entities, trusts, estates, and charitable organizations.

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

A. Stepp & Rothwell may utilize the following methods of security analysis:

- Charting (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
- 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)

Stepp & Rothwell 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)
- Short Sales (contracted sale of borrowed securities with an obligation to make the lender whole)
- Margin Transactions (use of borrowed assets to purchase financial instruments)
- 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 Stepp & Rothwell) will be profitable or equal any specific performance level(s).

B. Stepp & Rothwell'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 Stepp & Rothwell must have access to current/new market information. Stepp & Rothwell has no control over the dissemination rate of market information; therefore, unbeknownst to Stepp & Rothwell, certain analyses may be compiled with outdated market information, severely limiting the value of Stepp & Rothwell'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.

Stepp & Rothwell'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, Stepp & Rothwell may also implement and/or recommend short selling, use of margin, and/or options transactions. Each of these strategies has a high level of inherent risk. *(See* discussion below).

Short selling is an investment strategy with a high level of inherent risk. Short selling involves the selling of assets that the investor does not own. The investor borrows the assets from a third-party lender (i.e., broker-dealer) with the obligation of buying identical assets at a later date to return to the third-party lender. Individuals who engage in this activity shall only profit from a decline in the price of the assets between the original date of sale and the date of repurchase. Conversely, the short seller will incur a loss if the price of the assets rises. Other costs of shorting may include a fee for borrowing the assets and payment of any dividends paid on the borrowed assets.

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. Please Note: To the extent that a client authorizes the use of margin, and margin is thereafter employed by Stepp & Rothwell in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to Stepp & Rothwell may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential *conflict of interest* whereby the client's decision to employ margin *may* correspondingly increase the management fee payable to Stepp & Rothwell. Accordingly, the decision as to whether to employ margin is left totally to the discretion of the client.

The use of option 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 Stepp & Rothwell shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. Please Note: Although the intent of the option-related transactions that may be implemented by Stepp & Rothwell is to hedge against principal risk, certain of the option-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, the client may direct Stepp & Rothwell, in writing, not to employ any or all such strategies for his/her/their/its accounts.

C. Currently, Stepp & Rothwell primarily allocates client investment assets among mutual funds, exchange traded funds and fixed income securities on a discretionary basis in accordance with the client's designated investment objective(s).

Item 9 Disciplinary Information

Stepp & Rothwell has not been the subject of any disciplinary actions.

Item 10 Other Financial Industry Activities and Affiliations

A. Neither Stepp & Rothwell, 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 Stepp & Rothwell, 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. Stepp & Rothwell does not have any relationship or arrangement that is material to its advisory business or to its clients with any related person.

D. Stepp & Rothwell does not recommend or select other investment advisors for its clients.

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

A. Stepp & Rothwell maintains an investment policy relative to personal securities transactions. This investment policy is part of Stepp & Rothwell's overall Code of Ethics, which serves to establish a standard of business conduct for all of Stepp & Rothwell'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, Stepp & Rothwell also maintains and enforces written policies reasonably designed to prevent the misuse of material nonpublic information by Stepp & Rothwell or any person associated with Stepp & Rothwell.

B. Neither Stepp & Rothwell nor any related person of Stepp & Rothwell recommends, buys, or sells for client accounts, securities in which Stepp & Rothwell or any related person of Stepp & Rothwell has a material financial interest.

C. Stepp & Rothwell and/or representatives of Stepp & Rothwell *may* buy or sell securities that are also recommended to clients. This practice may create a situation where Stepp & Rothwell and/or representatives of the firm 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 Stepp & Rothwell 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 Stepp & Rothwell's clients) and other potentially abusive practices.

Stepp & Rothwell has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Stepp & Rothwell's "Access Persons". Stepp & Rothwell's securities transaction policy requires that Access Persons of Stepp & Rothwell must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within 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 12-month period thereafter on a date Stepp & Rothwell selects; provided, however, that at any time that the firm has only one Access Person, he or she shall not be required to submit any securities report described above.

D. Stepp & Rothwell and/or representatives of Stepp & Rothwell *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Stepp & Rothwell and/or representatives of the firm 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, Stepp & Rothwell has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Stepp & Rothwell's Access Persons.

Item 12 Brokerage Practices

In the event that the client requests that Stepp & Rothwell recommend a broker-dealer/custodian for execution and/or custodial services, Stepp & Rothwell generally recommends that investment advisory accounts be maintained at Charles Schwab & Co., Inc. *("Schwab"),* the client will be required to enter into a formal *Investment Advisory Agreement* with Stepp & Rothwell setting forth the terms and conditions under which Stepp & Rothwell shall advise on the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Stepp & Rothwell considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include the historical relationship with Stepp & Rothwell, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Stepp & Rothwell's clients shall comply with Stepp & Rothwell's duty to obtain best execution, a client may pay a commission or transaction fee that is higher than another qualified broker-dealer might charge to affect the same transaction where 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 Stepp & Rothwell 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, Stepp & Rothwell's investment advisory fee. In addition to Stepp & Rothwell's advisory fee and transaction fees, the client will also incur the fees charged by the mutual funds and exchange traded funds that comprise the client's portfolio.

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, Stepp & Rothwell can receive from *Schwab* (or another broker-dealer/custodian, investment manager, platform or fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist Stepp & Rothwell to better monitor and service client accounts maintained at such institutions. Included within the support services that can be obtained by Stepp & Rothwell 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 free consulting services, discounted or free attendance at conferences, meetings, and other educational and/or social events, marketing support-including client events, computer hardware and/or software and/or other products used by Stepp & Rothwell in furtherance of its investment advisory business operations.

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

Stepp & Rothwell'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 the Stepp & Rothwell to *Schwab* or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

Stepp & Rothwell's Chief Compliance Officer, Howard Rothwell, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the corresponding conflict of interest presented by such arrangements.

Directed Brokerage: Stepp & Rothwell recommends that its clients utilize the brokerage and custodial services provided by *Schwab.* Stepp & Rothwell does not generally accept directed brokerage arrangements (when a client requires that account transactions be affected 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 Stepp & Rothwell 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 Stepp & Rothwell. As a result, a 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 Stepp & Rothwell 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 Stepp & Rothwell. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

Order Aggregation: Transactions for each client account generally will be affected independently, unless Firm decides to purchase or sell the same securities for several clients at approximately the same time. The Firm may (but is not obligated to) combine or “batch” such orders for individual equity transactions (including ETFs) with the intention to obtain better price execution, to negotiate more favorable commission rates, or to allocate more equitably among the Firm’s clients differences

in prices and commissions or other transaction costs that might have occurred has such orders been placed independently. Under this procedure, transactions will be averaged as to prices and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. In the event that the Firm becomes aware that a Firm employee seeks to trade in the same security on the same day the employee transaction will either be included in the "batch" transaction or transacted after all discretionary client transactions have been completed. The Firm 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 Stepp & Rothwell provides investment supervisory services, account reviews are conducted on an ongoing basis by Stepp & Rothwell's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise Stepp & Rothwell of any changes in their investment objectives and/or financial situation. All clients are encouraged to comprehensively review financial planning issues (to the extent applicable), investment objectives, and account performance with Stepp & Rothwell on a quarterly basis.

B. Stepp & Rothwell *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 with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts.

Comprehensive reports are prepared for each meeting with a client. Reports are updated and provided upon any client's request. Regular reports include balance sheets, income and expense summaries of investment and non-investment assets, tax projections, cash flow projections, retirement projections, estate analyses, and any other reports or analyses particular to the financial counseling services being provided to each specific client.

Clients also receive reports that detail the portfolio holdings, summarize purchases and sales, and measure performance against the client's objectives and relevant issues. Financial planning matters and recommendations for change are also communicated within the context of this update.

Item 14 Client Referrals and Other Compensation

As referenced in Item 12 above, Stepp & Rothwell can receive from Schwab, without cost (and/or at a discount), support services and/or products. Stepp & Rothwell's clients do not pay more for investment transactions effected and/or assets maintained at Schwab as result of this arrangement. There is no corresponding commitment made by Stepp & Rothwell 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 arrangements. Stepp & Rothwell's Chief Compliance Officer, Howard Rothwell, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the corresponding conflict of interest presented by such arrangements.

Stepp & Rothwell does not compensate, directly or indirectly, any person, other than its employees, for client referrals. Employees can earn compensation which is based on the referral of a new client

who engages Stepp &Rothwell. Accordingly, Stepp and Rothwell's employees have a conflict of interest when recommending its services because the recommendation could be made on the basis of compensation to be received, rather than on a prospective client's best interest.

Item 15 Custody

Stepp & Rothwell is deemed to have custody when it is given the ability to have clients' advisory fees debited by the custodian from the client's account. In addition, clients may choose to appoint principals of Stepp & Rothwell to serve as trustees of their trusts, which is deemed to give Stepp & Rothwell custody of any investment accounts held in those trusts. In addition, Stepp & Rothwell can be deemed to have custody when it is given the authority by clients to move cash or investments between a client's accounts, or to distribute cash or investments to third parties. Finally, Stepp & Rothwell can also be deemed to have custody of clients' retirement accounts (401k Plan, Profit Sharing, Cash Balance Plan, etc.) when the client provides password access to that account. In all

cases, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian for the client accounts, which they should carefully review.

Please Note: To the extent that Stepp & Rothwell provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Stepp & Rothwell with the account statements received from the account custodian. At least quarterly, clients are provided with summary account statements directly from *Schwab.* Please Note: *Schwab* does not verify the accuracy of Stepp & Rothwell's advisory fee calculation.

Stepp and Rothwell engages in other practices and/or services (currently trustee services and access to client accounts with passwords) on behalf of its clients that require disclosure at the Custody section of Part 1 of Form ADV, which practices and/or services are subject to an annual surprise CPA examination in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940. In addition, certain clients may have established asset transfer authorizations that permit the qualified custodian to rely upon instructions from Stepp & Rothwell to transfer client funds or securities to third parties. These arrangements are disclosed at Item 9 of Part 1 of Form ADV. However, in accordance with the guidance provided in the SEC's February 21, 2017, *Investment Adviser Association* No-Action Letter, the affected accounts are not subject to an annual surprise CPA examination. **ANY QUESTIONS: Stepp and Rothwell's Chief Compliance Office, Howard Rothwell, remains available to address any questions that a client or prospective client may have regarding custody-related issues.**

Item 16 Investment Discretion

The client can determine to engage Stepp & Rothwell to provide investment advisory services on a discretionary basis. Prior to Stepp & Rothwell assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement,* naming Stepp & Rothwell as the client's attorney and agent in fact, granting Stepp & Rothwell 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 Stepp & Rothwell on a discretionary basis may, at any time, impose restrictions, in writing, on Stepp & Rothwell'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 Stepp & Rothwell's use of margin, etc.).

Item 17 Voting Client Securities

A. Stepp & Rothwell does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings, or other types of events pertaining to the client's investment assets.

B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Stepp & Rothwell to discuss any questions they may have with a particular solicitation.

Item 18 Financial Information

A. Stepp & Rothwell does not solicit fees of more than $1,200, per client, six months or more in advance.

B. Stepp & Rothwell 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. Stepp & Rothwell has not been the subject of any bankruptcy petition.

ANY QUESTIONS: Stepp and Rothwell's Chief Compliance Office, Howard Rothwell, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.