

Part 2A of Form ADV: *Firm Brochure*

Stockman Asset Management

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This brochure provides information about the qualifications and business practices of Stockman Asset Management. If you have any questions about the contents of this brochure, please contact us at (406) 655-3960 or tdenny@stockmanbank.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 Stockman Asset Management also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 122166.



Item 2 Material Changes

The SEC adopted "Amendments to Form ADV" in July, 2010. The original Firm Brochure, dated 2/28/2011, as well as this Firm Brochure, dated 5/24/2011, is our new disclosure document prepared according to the SEC's new requirements and rules. As you can see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

We initially filed this Brochure document, dated 02/28/2011, with the SEC on 03/10/2011. Since that day, Stockman Asset Management filed an amendment dated 05/24/2011 that discusses in Item 5 the management by Stockman Asset Management of the bank portfolio for its sister company, Stockman Bank of Montana, as well as a corporate portfolio for its parent company, Stockman Financial Corp.

Another change in this Brochure document is found in Item 17 - "Voting Client Securities." In the previous document, we stated that we DO NOT assist our clients with any class action settlement proof of claim paperwork. This was not correct, as we DO assist our clients with this type of paperwork. This section was amended to accurately disclose this service. Please see this section for further details.

For future reference, we will use this page, Item 2, to provide our clients with a summary of new and/or updated information in the Brochure. We will inform you of the revision(s) based on the nature of the updated information, as seen in the above paragraph.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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Item 4 Advisory Business

Stockman Asset Management is an SEC-registered investment adviser with its principal place of business located in Montana. Stockman Asset Management began conducting business in 2002.

Listed below is the firm's principal shareholder (i.e., those individuals and/or entities controlling 25% or more of this company).

- Stockman Financial Corp., a privately held S-Corporation.

INVESTMENT SUPERVISORY SERVICES ("ISS") INSTITUTIONAL/BANK PORTFOLIO MANAGEMENT

Stockman Asset Management does business as INVESTMENT MANAGEMENT GROUP (IMG). The following advisory services are offered to financial institutions clients. The focus of Investment Management Group is on the financial institution (our bank clients) assets under management.



Our firm provides continuous investment advice to financial institutions (our bank clients) and one municipality. This investment advice is based upon the individual needs of each client. We require each new client of Investment Management Group to provide the following items:

- A signed Investment Advisory Agreement;
- A signed Authorization to Trade;
- A copy of their portfolio;
- Their correspondent bank and safekeeping information;
- A written investment policy.

These above items assist Investment Management Group in providing accurate and consistent portfolio management for the client.

Investment Management Group does not accept a discretionary bank/municipality account. As a result, all accounts accepted are non-discretionary. Amounts to be purchased are determined through discussions with the client. These discussions focus on the goals and objectives of the client's needs at the time. Investment Management Group and the client then agree upon maturity and type of security. The timing and which broker/dealer the securities are purchased and sold through is based on best execution unless otherwise directed by the client. Depending on the size of the trade and the perceived execution

difficulty involved, Investment Management Group will call several broker/dealers and execute with the firm giving best price.

Financial institution accounts (our bank clients) and our one municipality account are reviewed weekly at a minimum by portfolio managers. These reviews are performed in conjunction with a telephone call. These reviews and calls include discussions of liquidity needs, swap opportunities, tax consideration and other unique circumstances. Each financial institution account and our one municipality account maintains their own accounting system for their securities held. The number of calls varies depending on client needs and the amount of opportunities

Investment Management Group does not take any services that are part of a traditional soft dollar research arrangement and it does not anticipate accepting services that are part of a traditional soft dollar arrangement. All bonds are bought on a net basis.

Investment Management Group offers a sweep account product, which is executed by Goldman Sachs on a fee-sharing basis.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer and generally include advice regarding the following securities:

- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- United States governmental securities

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

INDIVIDUAL PORTFOLIO MANAGEMENT

Stockman Asset Management offers the following advisory services to our clients under the STOCKMAN ASSET MANAGEMENT name.



Our firm provides continuous asset management of client funds based on the individual needs of the client. At minimum, we require the following documents from each new client of Stockman Asset Management (our "data-gathering process"):

- A signed Financial Services Agreement;
- A completed Risk Assessment Questionnaire;
- Completed Account Applications/documents with all legally required personal identification information.

We use these above items to assist us in providing accurate and consistent portfolio management for the client. Through personal discussions in which goals and objectives based on the client's particular circumstances are established (using the Risk Assessment Questionnaire), we develop the client's personal investment policy (objective). We create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we may also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Once the client's portfolio has been established, we review the portfolio bi-monthly, or as needed, based on the client's individual needs. Triggering factors include cash inflows and outflows, changing customer circumstances and general market volatility. This review is done without a client call and entails portfolio holdings, portfolio mix, cashflow, and liquidity needs. This is done in the context of each client's goals and objectives.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- United States governmental securities

Because some types of investments involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

PENSION CONSULTING SERVICES

Stockman Asset Management acts as an Investment Adviser on a limited number of participant directed qualified retirement and 401(k) plans providing employee education, performance analysis, reviews and meetings with plan sponsors and plan participants. Stockman Asset Management receives a fee for these services from the plan sponsor or from plan assets, based on the market value of assets in the plan.

These participant directed qualified retirement/401(k) plans are non-discretionary and **6**

Stockman Asset Management does not arrange or place trades. Therefore, Stockman Asset Management does not include these accounts in our assets under management.

We require each new participant directed qualified retirement and 401(k) plan hired by Stockman Asset Management to provide the following items:

- A signed Financial Services Agreement;
- A written investment policy for the plan (we may assist in the preparation of this document - see below);
- Risk Assessment Questionnaires for each Trustee.

These above items assist Stockman Asset Management in providing accurate and consistent portfolio management for the client and its plan participants.

Investment Policy Statement Preparation (hereinafter referred to as "IPS"): We will meet with the client (in person or over the telephone) to determine an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for management of the overall plan. Our firm then assists the client in preparing a written IPS detailing those needs and goals, including an encompassing policy under which these goals are to be achieved. The IPS also lists the criteria for selection of investment vehicles as well as the procedures and timing interval for monitoring of investment performance.

Selection of Investment Vehicles: We assist plan sponsors in constructing an appropriate investment menu to be made available to plan participants. We will then review various mutual funds (both index and managed) to determine which investments are appropriate to implement the client's IPS. The number of investments to be recommended will be determined by the client, based on the IPS.

Monitoring of Investment Performance: We monitor client investments continually, based on the procedures and timing intervals delineated in the IPS. Although our firm is not involved in any way in the purchase or sale of these investments, we supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate.

Employee Communications: For pension, profit sharing and 401(k) plan clients with individual plan participants exercising control over assets in their own account ("self-directed plans"), investment services will include, but will not be limited to, employee education, evaluation of plan investments and consulting service to principal related to principal's 401(k) plan. The nature of the topics to be covered will be determined by us and the client under the guidelines established in ERISA Section 404(c).

"OTHER" SERVICES

Stockman Asset Management provides Asset/Liability modeling utilizing a third party model. The model is provided to bank clients for an additional fee. Non-client banks may also utilize this service for a fee.

AMOUNT OF MANAGED ASSETS

As of 2/28/2011, we were actively managing \$54,744,082.00 of clients' assets on a discretionary basis plus \$1,717,924,042.00 of clients' assets on a non-discretionary basis.

We also oversee \$42,872,131.00 of clients' assets being managed in participant directed, qualified retirement and 401(k) plans. These plan funds are not added into our total assets under management reported on the filing of our ADV Part 1.

Item 5 Fees and Compensation

INVESTMENT SUPERVISORY SERVICES INSTITUTIONAL/BANK PORTFOLIO MANAGEMENT

Our annual fees for Investment Supervisory Services are based on bank (the client) footings as of December 31 on the preceding year. The fee is based on a sliding scale and general charges are:

\$250 per million of bank footings for first \$25 million
\$200 per million of bank footings for next \$25 million
\$150 per million of bank footings for next \$25 million
\$100 per million of bank footings for next \$75 million thereafter

* Minimum fee of \$3,000 per year

Management of Sister Company's Portfolio: Investment Management Group manages a portfolio for our sister company, Stockman Bank of Montana. The management of this portfolio is similar in nature to the management of other ISS client's bank portfolios. A negotiated fee is charged to our sister company, Stockman Bank of Montana for the management of this portfolio. The management of this portfolio is never placed above the management of Investment Management Group's bank client's portfolios. The management does; however, pose a potential conflict of interest. To mitigate this conflict, our firm puts the interest of its clients first as part of its fiduciary duty as a registered investment adviser. In addition, our firm has adopted a Code of Ethics (discussed in further detail in Item 11 of this document) which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable Federal Securities Laws.

Goldman Sachs Sweep Accounts: Investment Management Group offers a sweep account product, executed by Goldman Sachs, to clients, on a fee-sharing basis. Investment Management Group receives 3 basis points (0.03%) on all contractually agreed upon Goldman Sachs relations in non-institutional money market shares. There is no direct affiliation between Goldman Sachs and Investment Management Group; however, the economic benefit to Investment Management Group does depend on the balance size of the non-institutional shares money market sweep account. Investment Management Group, as a

fiduciary, makes every effort to recommend this sweep product to clients who will benefit from the account but acknowledges that our recommendation of the account is based partly on the economic benefit to Investment Management Group, which may create a potential conflict of interest.

INDIVIDUAL PORTFOLIO MANAGEMENT FEES

Our annual fees for Portfolio Management Services are based upon a percentage of assets under management and generally range from 0.00% to 1.20%.

The annualized fee for Portfolio Management Services will be charged as a percentage of assets under management, according to the following schedule:

Fee Schedule

The fee schedule for equity portions of portfolios is as follows:

1.20% on first \$1,000,000
1.00% on next \$2,000,000
0.80% on next \$2,000,000
0.60% if greater than \$5,000,000

The fee schedule for fixed income portions of portfolios is as follows:

0.50% on the first \$1,000,000
0.40% on the next \$2,000,000
0.30% if greater than \$3,000,000

Balanced portfolios (blends of equity & fixed income) are charged the equity fee schedule on the equity portion of the account and the fixed income fee schedule on the fixed income portion of the account.

A fee of 0.25% on balances of mutual funds and 0.00% on all cash balances is charged on all portfolios, regardless of asset allocation.

- o Minimum fee of \$3,000 per year. Minimum fee can be waived or negotiated.
- o All fees are billed quarterly, and most accounts pay in advance. However, no account prepays more than 90 days in advance.
- o All advisory fees are charged to and directly deducted from the client account at the custodian.

A minimum of \$250,000 of assets under management is required for this service. This account size may be negotiable under certain circumstances. Stockman Asset Management may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

Management of Parent Company Portfolio: Stockman Asset Management manages a corporate portfolio with mixed assets (equity and fixed income) for our parent company, Stockman Financial Corp. A negotiated fee is paid to Stockman Asset Management by our parent company for the management of these assets. The management of this portfolio is never placed above Stockman Asset Management's client's portfolios. The management does; however, pose a potential conflict of interest. To mitigate this conflict, our firm puts the interest of its clients first as part of its fiduciary duty as a registered investment adviser. In addition, our firm has adopted a Code of Ethics (discussed in further detail in Item 11 of this document) which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable Federal Securities Laws.

Limited Negotiability of Advisory Fees: Although Stockman Asset Management has established the above fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs will be considered in determining the fee schedule and method of payment. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts, portfolio style, account composition, reports, among other factors. The specific annual fee schedule will be identified in the contract between the adviser and each client.

Discounts, not generally available to our advisory clients, are offered to family members and friends of associated persons of our firm.

PENSION CONSULTING FEES

Stockman Asset Management acts as a Investment Adviser on a limited number of participant directed qualified retirement plans and 401(k) plans providing client education, performance analysis, reviews and meetings with plan sponsors and plan participants. Stockman Asset Management receives a fee for these services from the plan sponsor based on market value of assets in the plan.

Fees are paid quarterly in advance and range between 20 basis points (0.20%) and 50 basis points (0.50%). Any unearned fee is rebated based on a prorated basis. These fees are billed using an invoice and are not directly debited from the account.

These participant directed qualified retirement/401(k) plans are non-discretionary and Stockman Asset Management does not arrange or place the trades. Therefore, Stockman Asset Management does not include these accounts in their assets under management.

"OTHER" SERVICES FEES

Stockman Asset Management provides asset/liability modeling utilizing a third party model. The model is provided to Investment Supervisory Service clients for an additional fee. This fee is approximately \$2,400 per year, but varies depending on client facts, circumstances and needs. As stated above with other services offered, we retain the discretion to negotiate alternative fees on a client-by-client basis. Additionally, this service is offered to Non-Investment Supervisory Service clients for a fee of \$3,000 per year.

These fees are billed via invoice quarterly upon completion of the client's Asset Liability Report and are not debited directly from the client's account.

GENERAL INFORMATION

Termination of the Advisory Relationship: A client agreement may be canceled at any time, by either party, for any reason without penalty upon receipt of written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

Mutual Fund Fees: All fees paid to Stockman Asset Management for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or EFTs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge.

A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Additional Fees and Expenses: In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians with which Stockman Asset Management effects transactions for the client's account(s). *Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.*

In order to execute trades through Charles Schwab & Co., stock trades in accounts that receive monthly hardcopy statements and trade confirmations are subject to a \$19.95 order charge regardless of the number of shares traded. Accounts that have electronic delivery of trade confirmations and statements would have an order charge of \$8.95 for the first 1,000 shares traded, and then over 1,000 shares traded there is a 1.5¢ per share charge. Fixed

income security trades are charged a flat fee of \$25 per trade unless the security is purchased with Charles Schwab as the broker executing the trade in which case there is no fee. Both equity and fixed income trading charges are paid directly to Charles Schwab & Co., and Stockman Asset Management does not receive any portion of such fee.

Grandfathering of Minimum Account Requirements: Pre-existing advisory clients are subject to Stockman Asset Management's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements may differ among clients.

ERISA Accounts: Stockman Asset Management is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"). As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Stockman Asset Management may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset Stockman Asset Management's advisory fees.

Advisory Fees in General: Clients should note that similar advisory services may be available from other registered (or unregistered) investment advisers for similar or lower fees.

Limited Prepayment of Fees: Under no circumstances do we require or solicit payment of fees of any amount more than ninety (90) days in advance of services rendered.

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

Stockman Asset Management does not charge performance-based fees.

Item 7 Types of Clients

Stockman Asset Management provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations
- Banks, Corporations or other businesses not listed above
- State or municipal government entities

As previously disclosed in Item 5, our firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

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

METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

Fundamental Analysis. We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

Qualitative Analysis. We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.

A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

Risks for all forms of analysis. Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

INVESTMENT STRATEGIES

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

Long-term purchases. We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- We believe the securities to be currently undervalued, and/or

- We want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Short-term purchases. When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

Risk of Loss. Securities investments are not guaranteed and you can lose money on your investments. We ask that you work with us to help us understand your tolerance for risk. Risk of loss may include the principle invested as well as income earned. In addition, frequent trading of securities can affect investment performance, particularly through increased brokerage and other transaction costs as well as federal, state and local taxes that may occur.

Item 9 Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

Item 10 Other Financial Industry Activities and Affiliations

We are a registered investment adviser and a wholly owned subsidiary of **Stockman Financial Corporation**, a bank holding company headquartered in Miles City, Montana. Under common ownership and control by Stockman Financial Corp. is Stockman Bank of Montana and Stockman Insurance. These two related companies are completely separate and independent from Stockman Asset Management. Stockman Asset Management does not sell any bank products or insurance company products.

Related Companies:

Stockman Insurance, a licensed insurance agency offering comprehensive and competitive insurance products.

Stockman Bank of Montana, an FDIC insured bank. Offers a broad spectrum of banking products and financial services to consumers, small businesses and commercial clients.

Where appropriate, Stockman Asset Management and our employees may recommend the various investment and investment-related services of the Related Companies to our advisory clients. Stockman Asset Management and its employees are not compensated by its related companies for these referrals or recommendations. No Stockman Asset Management client is obligated to use the services of any of the Related Companies.

The Related Companies and their employees may also recommend the advisory services of our firm to their clients. The services provided by the Related Companies are separate and distinct from our advisory services. Stockman Asset Management does not compensate employees of the related companies with referral incentive fees/rewards. No Stockman Bank of Montana or Stockman Insurance client is obligated to use the services of Stockman Asset Management.

As stated in Item 5 of this Brochure, Stockman Asset Management d/b/a Investment Management Group manages the bank portfolio for our sister company, Stockman Bank of Montana, and is paid a negotiated fee. In addition, Stockman Asset Management manages a corporate portfolio for our parent company, Stockman Financial Corp., and is paid a negotiated fee.

Please understand that Stockman Asset Management's relationship with its related companies may pose a potential conflict of interest. It endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser. In addition, we take the following steps to address this conflict:

- We disclose to clients that they are not obligated to purchase recommended investment products from our affiliated companies;
- We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- Our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances.
- We disclose to clients the existence of material conflicts of interest.

Stockman Asset Management has a Board of Directors. Two members of this board are licensed Certified Public Accountants (CPA's) but are both on an "inactive" status, and do not actively practice accounting or receive compensation as accountants. One of these CPA's is also a lawyer and is still on full, active status. This board member does not receive wages as a result of his designations. In addition, Stockman Asset Management does not receive any form of compensation as result of these board member's designations.

Questions regarding Stockman Asset Management's affiliations and activities may be directed to Tina Denny, Chief Compliance Officer via email at tdenny@stockmanbank.com or by calling (406) 655-3960.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable Federal Securities laws.

Stockman Asset Management and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of most securities, including written approval from the CCO for private placements and prohibits the acquisition of initial public offerings. Our code also provides for oversight, enforcement and record keeping provisions.

Stockman Asset Management's Code of Ethics includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to tdenny@stockmanbank.com, or by calling us at (406) 655-3960.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm buys or sells for their personal accounts securities identical to or different from those recommended to our clients. In addition, our related company has interests or position in a certain security(ies) which are also recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security directly or indirectly on a day during which any client has a pending "buy" or "sell" order in that same security until that order is executed or withdrawn. We believe this prevents such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

Occasionally, we aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and if applicable, pay commission costs according to the schedule assigned to the account at Schwab. In the instances where there is a partial fill of a particular batched order, the allocation shall be made in the best

interest of all the clients, taking into account all relevant factors, including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. Our employee accounts will be excluded in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for most trades, including any private placement investments by related persons of the firm. Our firm prohibits the acquisition of IPO's by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or her designee.
6. We have established procedures for the maintenance of all required books and records.
7. Clients can decline to implement any advice rendered, regardless whether our firm is granted discretionary or non-discretionary authority.
8. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
9. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
10. We have established policies requiring the reporting of Code of Ethics violations to our Chief Compliance Officer.
11. Disciplinary actions of the above restrictions by any individual may be subject to, but are not limited to, termination.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately licensed as an insurance agent/broker of a related company, Stockman Insurance. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

Item 12 Brokerage Practices

For discretionary clients, Stockman Asset Management requires these clients to provide us with written authority to determine the broker dealer to use and the commission costs that will be charged to these clients for these transactions.

Stockman Asset Management will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts. Transaction costs/commission charges will be allocated according to the fee schedule applicable to the individual account.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Stockman Asset Management will typically aggregate trades among clients whose accounts can be traded at a given broker on any particular day. Stockman Asset Management's block trading policy and procedures are as follows:

1. Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Stockman Asset Management, or our firm's order allocation policy.
2. The trading desk and the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
3. The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable Stockman Asset Management to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
4. Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
5. If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the

initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.

6. Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and transaction costs/commission charges will be allocated according to the fee schedule applicable to the individual account. Under the client's agreement with the custodian/broker, transaction costs are based on the number of shares traded for each client.
7. If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change shall be provided to and approved by the Chief Compliance Officer or other designated officer following the execution of the aggregate trade.
8. Stockman Asset Management's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
9. Funds and securities for aggregated orders are clearly identified on Stockman Asset Management's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
10. No client or account will be favored over another.

Stockman Asset Management recommends that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although we recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. Stockman Asset Management is independently owned and operated and not affiliated with Schwab.

Schwab provides Stockman Asset Management with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Institutional. These services are not contingent upon our firm committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Institutional also makes available to our firm other products and services that benefit Stockman Asset Management but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering our clients' accounts include software and other technology that

- i. Provide access to client account data (such as trade confirmations and account statements);
- ii. Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- iii. Provide research, pricing and other market data;
- iv. Facilitate payment of our fees from clients' accounts; and
- v. Assist with back-office functions, record keeping and client reporting, including electronic co-ordination with our practice management software, Junxure.

Schwab Institutional also offers other services intended to help us manage and further develop our business enterprise. These services may include:

- i. Compliance, legal and business consulting;
- ii. Publications and conferences on practice management and business succession; and
- iii. Access to employee benefits providers, human capital consultants and insurance providers.

Schwab makes available, arranges and/or pays third-party vendors for the types of services rendered to Stockman Asset Management. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Schwab Institutional also provides other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, we take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Item 13 Review of Accounts

INVESTMENT SUPERVISORY SERVICES INSTITUTIONAL/BANK PORTFOLIO MANAGEMENT

REVIEWS: While the underlying securities within our Financial Institution/Municipality client accounts are continually monitored, these accounts are reviewed at least weekly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by: Ron O'Donnell, CFA; CEO & Chairman of the Board; Pat Angland, Senior Portfolio Manager; Eric George, Portfolio Manager; Jennifer Hemphill, Junior Portfolio Manager; and J.J. Barney, Junior Portfolio Manager.

REPORTS: Each Financial Institution/Municipality client maintains their own accounting system for their securities held. These clients will receive trade confirmations on each security bought or sold from the broker Investment Management Group executed the trade with. These clients will also receive a trade packet from Investment Management Group with information regarding the security that was bought or sold, such as price, yield, maturity date, and call features.

PORTFOLIO MANAGEMENT SERVICES

REVIEWS: While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed bi-monthly, or as needed by their assigned portfolio manager. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances (cash inflows/outflows/needs), or the market, political or economic environment.

These accounts are reviewed by: Ron O'Donnell, CFA; CEO & Chairman of the Board; Pat Angland, Senior Portfolio Manager; Eric George, Portfolio Manager; Karyn Sigler, Portfolio Manager; Jennifer Hemphill, Junior Portfolio Manager; and J.J. Barney, Junior Portfolio Manager.

REPORTS: In addition to the monthly statements and trade confirmations of transactions that Portfolio Management Services clients receive from their broker/dealer, Stockman Asset Management will provide quarterly reports summarizing account performance, portfolio holdings, gains/losses, and income and expenses.

PENSION CONSULTING SERVICES

REVIEWS: Stockman Asset Management will review the client's Investment Policy Statement (IPS) whenever the client advises us of a change in circumstances regarding the needs of the plan. Stockman Asset Management will also review the investment options of the plan according to the agreed upon time intervals established in the IPS. Such reviews will generally occur quarterly.

These accounts are reviewed by: Ron O'Donnell, CFA; CEO & Chairman of the Board;
Pat Angland, Senior Portfolio Manager

REPORTS: These client accounts will receive reports as contracted for at the inception of the advisory relationship.

CONSULTING SERVICES

REPORTS: Consulting Services clients will only receive their quarterly Asset-Liability Report, not a quarterly account holdings report, due to the nature of the service (Asset/Liability modeling).

Item 14 Client Referrals and Other Compensation

CLIENT REFERRALS

Our firm pays a referral fee to Charles Schwab & Co. ("Solicitor") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (our *Firm Brochure*) and a separate disclosure statement that includes the following information:

- The Solicitor's name and relationship with our firm;
- The fact that the Solicitor is being paid a referral fee;
- The amount of the fee; and
- Whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

Item 15 Custody

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

Contact Information:

Tina Denny, Chief Compliance Officer
P.O. Box 80850
Billings, MT 59108-0850
tdenny@stockmanbank.com
phone (406) 655-3960 fax (406) 655-3969

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

Our firm does not have actual or constructive custody of client accounts.

Item 16 Investment Discretion

Clients hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

Item 17 Voting Client Securities

Except in the case of sub-account advisory, Stockman Asset Management does not offer to vote proxies for its clients. For accounts where we do not vote 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 type events pertaining to the client's investment assets.

Clients are responsible for instructing each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

In the event of a sub-account advisory relationship where Stockman Asset Management is the Private Money Manager, the client may elect in writing to the custodian to have all proxy and related materials forwarded to Stockman Asset Management and to accept our vote's regarding such proxies on their behalf.

In situation where Stockman Asset Management accepts proxy voting responsibility, we will vote proxies in the best interests of our sub-account advisory clients and in accordance with our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent third-party to cast a vote.

On a quarterly basis, we will offer a copy of our voting record and a copy of our Proxy Policy & Procedure. Clients may also obtain a copy of our complete proxy voting policies and procedures by contacting Tina Denny, Chief Compliance Officer, by telephone, email, or in writing. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

Contact Information for requests:

Tina Denny, Chief Compliance Officer
P.O. Box 80850
Billings, MT 59108-0850
tdenny@stockmanbank.com
phone (406) 655-3960 fax (406) 655-3969

Regarding "Proofs of Claim" in class action settlements, clients may forward to us copies of such notices. Upon such direction, we will make reasonable efforts to assist our clients in completing these notices and submitting them to the specified authority. However, we do not guarantee the completion of this service and will not advise our clients to look forward to receiving such class action notices from their custodian.

With respect to ERISA accounts, we do not vote proxies. The plan document specifically reserves the plan sponsor's right to vote proxies.

We do not offer any consulting assistance regarding proxy issues to clients.

Item 18 Financial Information

Stockman Asset Management has no additional no financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Stockman Asset Management has not been the subject of a bankruptcy petition at any time during the past ten years.