



Part 2A of Form ADV: Firm Brochure

d/b/a Investment Management Group
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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 Jessica Neuman at (406) 655-3960 or JNeuman@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.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about Stockman Asset Management 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

Stockman Asset Management made the following material changes to this brochure document since our last published ADV Part 2A dated 3/28/2016:

- | | |
|----------------|--|
| Various | Stockman Asset Management acquired Peak Investment Management, Ltd. a Registered Investment Adviser (“RIA”) firm located in Missoula, Montana on September 1, 2016. You will see some references made regarding Peak Investment Management herein. |
| Item 4 | Added to the list of security types and updated the Assets under management to reflect 8/31/2015. Removed all references to AnnaCo Investment Management as they are no longer a DBA. |
| Item 5 | Added the Peak Investment Management Grandfathered Fee Schedule and Custodian Fees for TD Ameritrade Institutional |
| Item 8 | Added additional methods of investment strategies utilized by Stockman Asset Management. |
| Item 10 | Removed disclosures regarding David Dennis’ employment with Stockman Bank of Montana and his status as a lawyer. |
| Item 12 | Added additional equity and fixed income trading procedures for clients originally of Peak Investment Management. Also, added TD Ameritrade Institutional program disclosures. |
| Item 17 | Added proxy language to include the clients originally of Peak Investment Management, in addition to ERISA accounts. |
| Various | CCO changed to Jessica Neuman throughout. Contact information updated as well. |

SAM's ADV Part 2A is provided to you according to Rule 204-3(b) of the Investment Advisers Act of 1940. If you have questions regarding this document, please contact using one the following methods:

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Additional information about Stockman Asset Management also is available on the SEC’s website at www.adviserinfo.sec.gov

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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.

The firm's principal shareholder is Stockman Financial Corp., a privately held S-Corporation. Principal shareholders are those individuals and/or entities that control 25% or more of this company.

INSTITUTIONAL/BANK PORTFOLIO MANAGEMENT

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

Our firm provides continuous investment advice to financial institutions and to 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

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

Investment Management Group does not accept discretionary bank/municipality accounts. As a result, all accounts 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 at any given time. Through mutual agreement, Investment Management Group and the client determine the appropriate type of security and maturity. Unless otherwise directed by the client the executing broker/dealer and the timing of the execution are based on a best execution analysis. Investment Management Group will typically contact several broker/dealers, decided upon by the size of the trade and perceived difficulty in execution, and execute with the firm giving the best price.

Financial institution accounts (bank clients) are, and the municipality account is, reviewed at least weekly 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 considerations, and other unique circumstances. Each account maintains their own accounting system for their securities. The frequency of calls will vary depending on the client.

Investment Management Group does not receive any services that are part of a traditional soft dollar arrangement, nor does it anticipate doing so. All bonds are bought on a net basis. Investment Management Group offers a sweep account product that is executed by Goldman Sachs. Investment Management Group participates in a fee-sharing arrangement with Goldman Sachs for the sale of this product.

Our investment recommendations are not limited to any specific product or services offered by a broker/dealer and generally include advice on the following types of securities:

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

Some types of investments involve additional degrees of risk and are only recommended and/or implemented when consistent with the client's 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 (sometimes referred to as 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 items along with personal discussions to assist us in providing accurate and consistent portfolio management for the client. Goals and objectives are established based on the client's particular circumstances (using the Risk Assessment Questionnaire). We also use the aforementioned documents to 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 management 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 twice monthly, or more frequently as necessary due to “triggering factors”. Triggering factors include cash inflows and outflows, a client’s changing circumstances, and/or general market volatility. This review is done without a client call and involves analysis of portfolio holdings, portfolio mix, cash flow, and liquidity needs. The client’s individual objectives and goals are considered during this analysis. Our investment recommendations are not limited to any specific product or service offered by a broker/dealer and generally includes advice on the following types of 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
- Exchange Traded Fund shares
- Options contracts on securities
- Futures contracts on tangibles
- Futures contracts on intangibles
- Interests in partnerships investing in real estate
- Interests in partnerships investing in the oil and gas industry

Some types of investments involve additional degrees of risk and are only recommended and/or implemented when consistent with the client's investment objectives, tolerance for risk, liquidity, and suitability.

FINANCIAL PLANNING

We provide financial planning services. Financial planning is a comprehensive evaluation of a client’s current and future financial state, using currently known variables to predict future cash flows, asset values, and withdrawal plans. Through the financial planning process, the entire financial and life situation of the client is considered and analyzed. Clients purchasing this service receive a written report that provides a detailed financial plan designed to assist the client in achieving his or her financial goals and objectives.

In general, the financial plan can address any or all of the following areas:

- **Personal:** We review family records, budgeting, personal liability, estate information, and financial goals.

- **Education:** We review various options for funding a child's education including: education IRA's, financial aid, grants, and general assistance through development of an education plan.
- **Tax & Cash Flow:** We analyze the client's income tax and spending and planning for past, current, and future years. We can then illustrate the impact of various investments on the client's current income tax and future tax liability.
- **Investments:** We analyze investment alternatives and their effect on the client's portfolio.
- **Insurance:** We review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home, and automobile.
- **Retirement:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- **Death & Disability:** We review the client's cash needs at death, income needs of surviving dependents, estate planning, and disability income.
- **Estate:** We assist the client in assessing and developing long-term strategies, which may include: living trusts, wills, consideration of estate tax, the need for powers of attorney, asset protection plans, long-term assisted living plans, and Medicaid planning.

We gather required information through in-depth personal interviews. Information gathered may include: the client's current financial status, tax status, future goals, investment return objectives, and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client. We then prepare a written report and present the analysis to the client. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or Financial Adviser. Implementations of financial plan recommendations are entirely at the client's discretion.

We also provide general non-securities recommendations on topics such as tax or estate planning; and advice on topics such as budgetary or business planning.

Typically, the financial plan is presented to the client within three months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided.

Financial Planning recommendations are not limited to any specific product or service offered by a broker/dealer or insurance company. All recommendations are of a generic nature. There are no soft-dollar relationships directing our recommendations or software choices. All fees will be clearly disclosed.

PENSION CONSULTING SERVICES

Stockman Asset Management acts as an Investment Adviser on a limited number of participant directed qualified retirement and 401(k) plans. Stockman Asset Management provides employee

education, performance analysis, reviews the account, and meets 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.

Stockman Asset Management accepts both discretionary and non-discretionary participant directed qualified retirement/401(k) plans accounts. Stockman Asset Management does not include the non-discretionary accounts in their assets under management.

We require each new participant directed qualified retirement and 401(k) plan 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 items assist Stockman Asset Management in providing accurate and consistent portfolio management for the plan and/or 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 the overall management of the plan. Our firm may assist the client in preparing a written IPS detailing those objectives, including a policy under which those goals are to be achieved. The IPS may also list the criteria for selection of investment vehicles. The IPS may also enumerate procedures for monitoring investment performance and the timing of that monitoring.

Selection of Investment Vehicles: We assist plan sponsors in constructing an appropriate investment list to be made available to plan participants. We will review various mutual funds (both index and managed) to determine which investments are appropriate, within 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 continually monitor the client's investments as directed by the IPS. We will supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs change.

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 services related to plan sponsor's 401(k) plan. The nature of the topics to be covered will be mutually agreed upon by the client and Stockman Asset Management while adhering to 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 our bank clients for an additional fee. Our non-client banks may contract for this service for a fee.

AMOUNT OF MANAGED ASSETS

As of August 31, 2016 Stockman Asset Management actively manages \$482,262,935 on a discretionary basis plus \$2,311,376,701 on a non-discretionary basis.

Stockman Asset Management oversees \$80,847,620 in non-discretionary participant directed, qualified retirement, and 401(k) plan client assets. Non-discretionary 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 FEES

Our annual fees for Investment Supervisory Services are based the financial institution's (bank client's) 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 financial institution's accounts. A negotiated fee is charged to Stockman Bank of Montana, for the management of this portfolio. The management of this portfolio is never placed above the management of our bank client's portfolios. However, this management does pose a potential conflict of interest. To mitigate this conflict, our firm puts the interest of our clients first, in compliance with our 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 and compliance with applicable Federal Securities Laws, which all employees must follow.

Goldman Sachs Sweep Accounts: Investment Management Group offers a sweep account product that is executed by Goldman Sachs. Investment Management Group participates in a fee-sharing arrangement with Goldman Sachs for the sale of this product. Investment Management Group receives 3 basis points (0.03%) on all contracts between the firm and

Goldman Sachs in non-institutional shares money market accounts. There is no direct affiliation between Goldman Sachs and Investment Management Group. However, Investment Management Group receives an economic benefit based on the balance in the non-institutional shares money market sweep account. As a fiduciary, Investment Management Group makes every effort to recommend this sweep product only to clients who will benefit from the account. Investment Management Group acknowledges that our recommendation of the product is based partly on the economic benefit to Investment Management Group, thus potentially creating a 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:

Standard Fee Schedule:

The fee schedule for equity portions of a portfolio 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 a portfolio 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% is charged on balances of mutual funds and exchange traded funds.

A fee of 0.00% is charged on all cash balances, regardless of asset allocation (with the exception of new accounts, see below).

Minimum fee of \$500 per year. Minimum fee can be waived or negotiated.

All fees are billed quarterly, and most accounts pay in advance. However, no account prepays more than 90 days in advance.

New accounts are billed in advance. Typically a bill will be generated as soon as assets have transferred into a newly opened account (typically within 5 days). The investment process often takes several months to reach the client's stated asset allocation; therefore, the fee on the initial invoice will be calculated based on the stated investment objective rather than actual assets.

Advisory fees are charged to and directly deducted from the client account at the custodian if the client has not requested to be billed directly.

A minimum of \$100,000 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.

Stockman Asset Management does have a number of accounts that operate under a grandfathered fee schedules that differ from our standard fee schedule. The grandfathered fee schedule is currently being used for those accounts who were originally clients of AnnaCo Investment Management and Peak Investment Management. The AnnaCo grandfathered fee schedule will not be used for any new relationships after December 31st, 2014. The Peak grandfathered fee schedule will not be used for any new relationships after December 31, 2016.

AnnaCo Grandfathered Fee Schedule

<u>Market Value of Assets Managed</u>	<u>Annual Fee</u>
\$100,000 to \$999,999	1.00%
\$1,000,000 to \$1,999,999	0.75%
\$2,000,000 to \$4,999,999	0.60%
\$5,000,000 or more	0.50%
Fixed Income only accounts	0.375%

Should an existing account fall below \$100,000 due to market fluctuation or withdrawal it will continue to be charged a 1.0% annual fee. A discussion with the client will occur to determine whether or not continuing an advisory relationship remains feasible.

Under the AnnaCo grandfathered fee schedule client still may authorize fees to be deducted from their accounts or can be billed directly. Fees are payable quarterly in advance based upon the market value of the portfolio at the end of the previous quarter.

Peak Grandfathered Fee Schedule

<u>Market Value of Assets Managed</u>	<u>Annual Fee</u>
\$100,000 to \$5,000,000	1.00%
\$5,000,001 to \$10,000,000	0.80%
\$10,000,001 to \$20,000,000	0.70%
\$20,000,001 to \$30,000,000	0.65%
\$30,000,001 to \$40,000,000	0.60%
\$40,000,001 to \$50,000,000	0.55%
\$50,000,001 and above	Negotiable

Should an existing account fall below \$100,000 due to market fluctuation or withdrawal it will continue to be charged a 1.0% annual fee. A discussion with the client will occur to determine whether or not continuing an advisory relationship remains feasible.

Peak Grandfathered Exchange Traded Fund (ETF) Fee Schedule

<u>Market Value of Assets Managed</u>	<u>Annual Fee</u>
\$0 to \$500,000	0.75%
\$500,001 to \$5,000,000	0.50%
\$5,000,001 and above	0.45%

Under both of the Peak grandfathered fee schedules, clients still may authorize fees to be deducted from their accounts or they can be billed directly. The fees are based upon a percentage of the market value of assets under management at the end of each calendar quarter. The fees are billed quarterly in arrears. The above fees do not include transaction costs.

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 for the management of these assets. The management of this portfolio is never placed above Stockman Asset Management's client's portfolios. However, the management does create a potential conflict of interest. To mitigate this conflict, our firm puts the interest of our clients first, in compliance with our 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 and compliance with applicable Federal Securities Laws, which all employees must follow.

Limited Negotiability of Advisory Fees: Although Stockman Asset Management has established the above fee schedule(s), we retain the right to negotiate alternative fees on a client-by-client basis. Client facts, circumstances, and needs may be considered in determining the fee schedule and method of payment. Other factors which may be considered include, but are not limited to: the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and requisite reporting. The specific annual fee schedule will be identified in the contract between Stockman Asset management and each client. Discounts, not generally available to our advisory clients, are offered to family members and friends of associated persons of our firm.

FINANCIAL PLANNING FEES

Stockman Asset Management assesses a financial planning fee based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Financial Planning fees are calculated and charged on a fixed fee basis, typically up to \$3,500. However, Stockman Asset Management reserves the right to assess a greater fee for Financial Planning Services based on the complexity of the client's circumstances.

We may request a retainer once we have completed our initial fact-finding session with the client. Any advance payment will never exceed \$500. The balance is due in a timely manner.

Financial Planning Fee Offset: Stockman Asset Management reserves the right to reduce or waive its Financial Planning fee if a client chooses to engage us for our portfolio management services.

PENSION CONSULTING FEES

Stockman Asset Management acts as an Investment Adviser on a limited number of participant directed qualified retirement plans and 401(k) plans. Stockman Asset Management provides client education, performance analysis, conducts account reviews, and meets 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.

Fees are paid quarterly, in advance, and range between 20 basis points (0.20%) and 50 basis points (0.50%). Any unearned fee is refunded to the client on a prorated basis. Fees are invoiced to the client, and not directly debited from the client's account.

Stockman Asset Management accepts both discretionary and non-discretionary participant directed qualified retirement/401(k) plans accounts. Stockman Asset Management does not include the non-discretionary 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 may vary depending on the specific circumstances of each client. Stockman Asset Management retains the right to negotiate 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. Clients will receive a quarterly invoice for these services upon completion of the client's Asset Liability Report. These fees are not directly debited from the client's account.

ADDITIONAL FEE 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, most fees are paid in advance of services provided. Upon termination of any account, any unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the fee charged 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 ETF's 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. A client may also pay an initial or deferred sales charge, as determined by the fund.

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 for the client's financial objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total 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 responsible for the fees and expenses charged by custodians with which Stockman Asset Management effects transactions in the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV 2A for additional information.

Stockman Asset Management has relations with two Custodians: Charles Schwab & Co. ("Schwab") and TD Ameritrade Institutional ("TDA").

In order to execute trades through Schwab, 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 Schwab as the broker executing the trade in which case there is no fee. Even though there is no fee when fixed income securities are purchased through Schwab, Schwab has the ability to mark-up fixed income securities. This mark-up is factored into the yield expected during best execution analysis. Both equity and fixed income trading charges are paid directly to Schwab, and Stockman Asset Management does not receive any portion of such fee.

In order to execute trades through TDA, stock trades are subject to a flat \$8.95 order charge. Fixed income security trades are charged a flat fee of \$10 per trade unless the security is purchased with TDA as the broker executing the trade in which case there is no fee. Even though there is no fee when fixed income securities are purchased through TDA, TDA has the ability to mark-up fixed income securities. This mark-up is factored into the yield expected during best execution analysis. Both equity and fixed income trading charges are paid directly to TDA 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 that were 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 has a fiduciary duty to advisory clients that are employee benefit plans or retirement accounts subject to the Employee Retirement Income and

Securities Act (“ERISA”). As a fiduciary, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code. These duties include, but are not limited to, 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 does not receive any commissions or 12b-1 fees. Conversely, our firm may charge fees for investment advice about products for which our firm receives commissions or 12b-1 fees 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 the payment of advisory fees, 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
- Trusts
- 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.

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 a security 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 with the market regardless of the economic and financial factors considered when evaluating the security.

Technical Analysis: We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

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

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

Asset Allocation: Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

Mutual Fund and/or ETF Analysis. We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying

investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

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, time horizons, and suitability.

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 are currently undervalued, and/or
- We want exposure to a particular asset class over time, regardless of the current projection for this class

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

Short-term purchases: 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.

Trading. We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

Short sales. We borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.

Margin transactions. We will purchase stocks for your portfolio with money borrowed from

your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

Option writing. We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset. The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We use "selling a put", in which we sell a put option. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to sell you the security at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

Risk of Loss: Securities investments are not guaranteed. Clients can lose money on securities investments. Stockman Asset Management asks that our clients work with us and help us to understand their 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. Frequent trading may also result in federal, state and local taxes incurred.

It is important to understand investing in general involves risk of loss that you should be prepared to bear.

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. Stockman Bank of Montana and Stockman Insurance are under the common control of Stockman Financial Corporation. However, 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 offering a broad spectrum of banking products and financial services to consumers, small businesses and commercial clients.

When 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 for those services. In addition, Stockman Asset Management manages a corporate portfolio for our parent company, Stockman Financial Corp., and is paid a negotiated fee for those services.

Stockman Asset Management makes every attempt to avoid all conflicts of interest with its related companies. As a registered investment adviser, owing a fiduciary duty to our clients, Stockman Asset Management continuously puts the interest of its clients first. In addition,

Stockman Asset Management takes the following steps to address actual or perceived conflicts of interest:

- We disclose to clients that they are not obligated to purchase recommended products from our affiliated companies; and
- We collect, maintain, and document client information. This client information may include relevant client background information such as the client's financial goals, objectives, and risk tolerance; and
- 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; and
- 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). One is on an "inactive" status and does not actively practice accounting or receive compensation as an accountant. However, he is also a lawyer and is on full, active status. The other CPA is active and may receive compensation as an accountant. Both of these board members do not receive wages as a result of their board participation. 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 Jessica Neuman, CCO via email a JNeuman@stockmanbank.com or Ron O'Donnell, CEO rodonnell@stockmanbank.com, both can be reached 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 requires of each employee to act in accordance with the firm's high standard of business conduct. The Code of Ethics also requires all employees to comply with applicable Federal Securities laws.

As a registered investment adviser, Stockman Asset Management owes a fiduciary duty to our clients. This fiduciary duty includes a duty of loyalty, fairness, and good faith towards our clients. All employees of Stockman Asset Management 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 and initial and annual securities holdings reports that must be submitted by the firm's access persons. Our Code of Ethics also requires the prior approval of a designated officer before access persons acquire large amounts of most securities. This prior approval involves written approval from the CCO for limited offerings and 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 (insider information). We do not believe that we have any particular access to non-public information. However, all employees are reminded that such information may not be used in a personal or professional capacity and receipt of such information must be disclosed to the CCO.

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

Stockman Asset Management and the individuals associated with our firm are prohibited from engaging in principal transactions and agency cross transactions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities, and interests of our access persons will not interfere with (1) making decisions in the best interest of advisory clients; or (2) implementing such decisions. The Code of Ethics is designed to allow employees to invest in their own personal accounts; however, employees must consider their fiduciary duties owed to clients before doing so.

Our firm and/or individuals associated with our firm may buy or sell securities in their personal accounts, identical to, or different from, those recommended to our clients. In addition, our related company has interests or positions in certain securities which are also recommended to clients.

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 their 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 may aggregate our employee trades with client transactions. In making the decision whether to aggregate those trades with client transactions the firm will remain 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 the Custodian. If there is a partial fill of a particular batched order, the allocation shall be made in the best interest of all the clients. In making that decision the firm will take 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 employee of the firm may purchase or sell any security before a similar transaction is executed or withdrawn for an advisory account. This prevents employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for trades of large amounts of most securities, including any limited offerings and/or IPO's by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm's employees and access person. These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or a 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 of whether our firm is granted discretionary or non-discretionary authority.
8. All of employees and access persons must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
9. We require delivery and acknowledgment of the firm's Code of Ethics by each employee and access 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 resulting from the violation of the above restrictions by any employee or access person include but are not limited to termination.

Please refer to Item 10 for important conflict of interest disclosures.

Item 12 Brokerage Practices

Stockman Asset Management requires discretionary account owners to provide us with written authority to determine which broker/dealer to use and the commission costs that will be charged to these clients for these transactions. These clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

Stockman Asset Management will block trades where possible and when advantageous to clients. The 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 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 each client. Further, they must reasonably believe that the aggregation 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 the 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 that client.
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.

Specific procedures for all order aggregation for accounts who are originally clients of Peak Investment Management:

- Stockman Asset Management will not aggregate transactions unless aggregation is consistent with its duty to seek best execution and the terms of adviser's investment advisory agreement with each client for which trades are being aggregated;
- No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all Stockman Asset Management transactions in that security on a given business day, with transaction costs shared pro-rata based on each client's participation in the transaction;
- Stockman Asset Management will prepare, before entering an aggregated order, a written pre-allocation statement specifying the participating client accounts and how to allocate the order among those clients;
- If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the pre-allocation statement; if the order is partially filled, it will be allocated according to each asset class additional procedures explained below.
- The order may be allocated on a basis different from that specified in the pre-allocation statement if all client accounts receive fair and equitable treatment and the reason for different allocation is explained in writing and is approved in writing by adviser's Chief Compliance Officer no later than one hour after the opening of the markets on the trading day following the day the order was executed;
- Stockman Asset Management books and records will separately reflect, for each client account, the orders of which are aggregated, the securities held by, and bought and sold for that account;
- Funds and securities of clients whose orders are aggregated will be deposited with the qualified custodian and neither the client's cash nor their securities will be held collectively any longer than is necessary to settle the purchase or sale in question on a delivery versus payment basis; cash or securities held collectively for clients will be delivered out to the qualified custodian as soon as practicable following the settlement;

- Stockman Asset Management will receive no additional compensation of any kind as a result of the proposed aggregation; and
- Individual investment advice and treatment will be accorded to each advisory client.

Additional equity trading procedures for accounts who are originally clients of Peak Investment Management:

1. 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.
2. 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.
3. Prior to entry of an aggregated order, a written order/pre-allocation ticket must be completed and signed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients (unless it falls into the De minimus category explained in number 4).
4. De minimus Rule: If there are 5 accounts or less, a signed printed page of the accounts and allocation will be accepted as a pre-allocation ticket.
5. If the order is filled in its entirety, it will be allocated among clients in accordance with the Pre-Allocation Trading Sheet
6. 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 will be allocated to participating client accounts in accordance with the pre-allocation trading sheet and after the removal of conflicted clients affiliated or related to the firm. However, adjustments to this allocation may be made to participating client accounts in accordance with the pre-allocation trading sheet. Furthermore, adjustments to this allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid the extra commission charges in smaller accounts. *In the event that excessive trading fees will disadvantage some clients (smaller accounts or small position allocations in particular), allocations may be filled in their entirety, beginning with non-affiliated or unrelated clients.
7. De minimus rule: If aggregated order receives a partial fill below 40% of total order, the firm may allocate orders to specific accounts, beginning with non-affiliated or unrelated clients first. De minimus allocations will be done in a fair and reasonable manner that the firm deems appropriate so as to not disadvantage any individual client.
8. Daily Blotter will be kept of all trading done in client accounts. Each blotter must include the account number, account name, the direction of the trade, the number

of shares, the security, the price (mutual funds & unit trusts are not known until the following day), the custodian and must be electronically signed by the trader or portfolio manager. The blotters must be available to the Compliance Officer or the assistant before the end of the business day, but could be delayed due to certain circumstances which requires an explanation to the Compliance Officer. In addition, the Trade Blotter showing the electronic approval signature, plus all documents supporting the daily trade, will be stored in electronic format.

9. Orders to buy or sell directed by clients will be indicated as such on the daily trade blotter.
10. The trader(s) will review daily trades prior to 4:00 PM MST each day to ensure late executions of orders are allocated properly.

Additional fixed income trading procedures for accounts who are originally clients of Peak Investment Management:

1. Typically fixed income investments are made on the secondary market based on cash availability for the client.
2. The portfolio manager must determine that the purchase or sale of the fixed income investment 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. Typically clients who already hold matchers of the same fixed income security being purchased, will more than likely receive the additional bonds.
4. Stockman Asset Management will strive to seek best execution for each client participating in all offers. 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. This is why Stockman Asset Management will often use Prime Brokers.
5. Daily Blotter will be kept of all trading done in client accounts. Each blotter must include the account number, account name, the direction of the trade, the amount of bonds, the security, the price, the custodian and must be electronically signed by the trader or portfolio manager. The blotters must be available to the Compliance Officer or the assistant before the end of the business day, but could be delayed due to certain circumstances which requires an explanation to the Compliance Officer. In addition, the Trade Blotter showing the electronic signature, plus all documents supporting the daily trade, will be stored in electronic format.
6. Orders to buy or sell directed by clients will be indicated as such on the daily trade blotter.
7. Fixed income securities are purchased based on availability of attractive securities and the availability of client funds, subject to a client's investment guidelines and restrictions. With the exception of the clients who already hold matchers of the same fixed income security, no client or account will be favored over another.
8. Fixed income securities are normally held to maturity but when they are sold due to

changes in market conditions or credit quality issues, the securities from all client accounts are sold at the same time, unless there is a special circumstance. Fixed income securities sold due to a client directed trade or to raise cash in an account will be so indicated on the trade blotter.

Clients are free to select any broker/dealer and/or custodian they wish and are so informed. Those wishing for SAM to recommend a broker/dealer and custodian will get a recommendation based on the broker/dealer and/or custodian's costs, skills, dependability, compatibility, and reputation. Generally, 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 and/or TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member SIPC ("TDA"), an unaffiliated SEC-registered broker-dealer and FINRA member. These brokerage accounts allow Schwab and/or TDA to maintain custody of clients' assets and to effect trades for their accounts. Stockman Asset Management is independently owned and operated and not affiliated with Schwab or TDA.

- Both Schwab and TDA provide ease in trading mutual funds, stocks, and bonds. They also provide timeliness, accuracy of reporting, and a competitive price structure. Both Schwab and TDA send clients mutual fund prospectuses with trade confirmations and provides clients with monthly or quarterly statements. Commissions at Schwab and TDA have the potential to be higher than what is available at other discount brokerage firms. Annually, Stockman Asset Management performs a best execution analysis on Schwab and TDA to ensure they are the best fit for our clients. Although other factors are considered, Schwab's low cost execution and no-fee custody services are largely weighted in the best execution analysis.

Although we recommend that clients establish accounts at Schwab and/or TDA, it is the client's decision on where to custody their assets. Please refer to the Directed Brokerage section for more information and disclosures regarding accounts not held in custody with Schwab and/or TDA.

More Information on 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 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.

Schwab Institutional 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 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:

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

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

- Compliance, legal and business consulting;
- Publications and conferences on practice management and business succession; and
- 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.

More Information on TDA:

Stockman Asset Management participates in the institutional customer program offered by TDA. TDA offers services to independent investment advisers which include custody of securities, trade execution, clearance and settlement of transactions. There is no direct link between our firm's participation in the program and the investment advice we give to our clients, although we may receive economic benefits through our participation in the program that are typically not available to TD Ameritrade retail investors.

These benefits include the following products and services (provided without cost or at a discount):

- Duplicate client statements and confirmations;
- Research related products and tools;
- Consulting services;
- Access to a trading desk serving adviser participants;
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts);
- Prime brokerage trading (which provides the ability to place trades outside of TDA but then settle at TDA for clients that meet certain account size);
- The ability to have advisory fees deducted directly from client accounts;
- Access to an electronic communications network for client account information;
- Access to mutual funds with no transaction fees and to certain Institutional money managers; and
- Discounts on research, technology, and practice management products or services provided to Stockman Asset Management by third party vendors.

Some of the products and services made available by TDA through the program may benefit Stockman Asset Management but may not benefit our client accounts.

These products or services may assist us in managing and administering client accounts, including accounts not maintained at TDA. Other services made available by TDA are intended to help us manage and further develop our business enterprise. The benefits received by Stockman Asset Management through participation in the program do not depend on the amount of brokerage transactions directed to TDA. Clients should be aware, however, that the receipt of economic benefits by Stockman Asset Management or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our recommendation of TDA for custody and brokerage services.

Directed Brokerage: Clients may direct which broker/dealer they prefer SAM use and SAM will accept this written direction. Clients may have existing arrangements permitting them to offset certain administration, accounting, custody, consultant, or other fees in relation to the amount of brokerage transactions handled by a specific broker. Clients acknowledge responsibility for negotiating the terms and arrangements with such broker/dealers. In following the client's direction to use a particular broker, clients must be aware that such a designation may result in higher costs or other disadvantages (higher commissions, less favorable net prices, etc.). SAM may not be able to negotiate commissions with the broker/dealer specified by the client.

This direction of brokerage, along with other client ordered restrictions, has the potential to adversely affect SAM's ability to obtain volume discounts on bunched orders and/or achieve best execution. The order for the client who directed brokerage will be placed through the broker/dealer specified by the client and the cost of the trade has the potential to be higher.

In the event that a client is referred to SAM through the broker/dealer that will be executing transactions for the client account, written disclosure of such a relationship will be made from

the client to SAM before effecting such transactions. Such a relationship has the potential to raise possible conflicts of interest which could include a financial interest to SAM to maintain the relationship at the referring broker/dealer. Moreover, if as a result of the relationship, the client pays more for commission/transaction fees with the referring broker/dealers, the client will be required to acknowledge, in writing, their understanding of the higher commission structure with such specified broker/dealer.

Item 13 Review of Accounts

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 other factors such as changes to the client's individual circumstances, or changes to the market, political, or economic environment.

These accounts are reviewed by our CEO, President, and Portfolio Managers.

Reports: Each Financial Institution/Municipality client maintains its own securities accounting system. Clients will receive trade confirmations on each security bought or sold from the broker/dealer with whom Investment Management Group executed the trade. Clients will also receive a trade packet from Investment Management Group with information pertaining to the security that was bought or sold. Information will include price, yield, maturity date, and call features.

INDIVIDUAL PORTFOLIO MANAGEMENT SERVICES

Reviews: While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed twice 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 other factors such as changes to the client's individual circumstances (cash inflows/outflows/needs), or changes to the market, political, or economic environment. These accounts are reviewed by our CEO, President, and Portfolio Managers.

Reports: Clients receive monthly statements and trade confirmations of transactions from their broker/dealer. Stockman Asset Management also provides clients with quarterly reports summarizing account performance and portfolio holdings. In addition, they may also include gains/losses, and the account's income and expenses.

FINANCIAL PLANNING SERVICES

Reviews: No formal reviews will be conducted for Financial Planning clients unless otherwise contracted for. However, reviews may be conducted periodically, if required, throughout the duration of the initial Financial Planning process.

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, when required by the IPS. Generally, those reviews are conducted on a quarterly basis. These accounts are reviewed by our CEO and Portfolio Managers.

Reports: Client accounts will receive reports as contracted for at the inception of the advisory relationship.

CONSULTING SERVICES

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

Item 14 Client Referrals and Other Compensation

CLIENT REFERRALS

Our firm does not receive any economic benefit, directly or indirectly, from any third party for advice rendered to our clients.

Our firm continues to honor a solicitor agreement inherited from the acquisition of AnnaCo Investment Management. This individual is no longer soliciting clients on behalf of Stockman Asset Management; however, in fulfillment of the amended solicitor agreement Stockman Asset Management will continue to compensate the solicitor as agreed upon for the calendar years of 2015 and 2016.

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

It is Stockman Asset Management's policy not to allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

No additional Solicitor arrangements exist for Stockman Asset Management.

OTHER COMPENSATION

As a matter of firm practice, Stockman Asset Management does not participate in any revenue or commission sharing generated during the Financial Planning process for products or services recommended or placed with other properly licensed agents.

Item 15 Custody

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

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

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

Stockman Asset Management informs its clients to carefully review their custodial statements to verify the accuracy of the fee calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

Contact Information:

Jessica Neuman, CCO

P.O. Box 2507

Billings, MT 59103-2507

JNeuman@stockmanbank.com

Phone (406) 655-3960 fax (406) 874-8743

Stockman Asset Management sends account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements with those provided by the custodian, to ensure that all account transactions, holdings and values are correct and current.

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. 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 Financial Services Agreement with our firm. Clients may limit this authority by giving us written instructions. Clients may also change/amend such limitations by providing us with written instructions.

Item 17 Voting Client Securities

Generally, Stockman Asset Management does not offer to vote proxies for its clients; however, proxies continue to be voted for those clients who were originally clients of AnnaCo and/or Peak and who have elected AnnaCo and/or Peak to vote proxies. Stockman Asset Management can also vote proxies in the case of a sub-account advisory.

For accounts where we do not vote proxies, clients maintain exclusive responsibility for:

- Directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and
- 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 have the custodian forward all proxy and related materials to Stockman Asset Management. In that event, Stockman Asset Management will vote the proxies and the sub-account agrees to accept our vote's regarding such proxies on their behalf.

In situations where Stockman Asset Management accepts proxy voting responsibility, we will vote proxies in the best interests of our 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. Those records include: 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.

Clients, at any time, may request a copy of our voting record and a copy of our Proxy Policy & Procedure by contacting Jessica Neuman by telephone, email, or in writing using the contact information below. If any client requests a copy of our proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client. In addition, our clients always have the right to instruct us to vote proxies according to particular criteria (for example, to always vote with management, etc.) These requests must be made in writing.

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Clients may forward to us copies of "Proofs of Claim" in class action settlements. Upon receipt, 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. We advise our clients to look for those notices from their custodian.

For the clients who were originally clients of Peak, we will continue to utilize a third party to file class action settlements on your behalf, in which you are eligible to participate.

With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve 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 financial circumstances to report. Under no circumstances do we require or solicit the payment of fees from any 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.

Item 19 Other Information

DISASTER RECOVERY AND CONTINGENCY PLANNING

As a fiduciary to our clients and as a best business practice, Stockman Asset Management has developed and tested a disaster recovery and contingency plan. This plan would enable Stockman Asset Management to continue to provide our clients with investment management services in the unlikely event of a disaster. This policy and procedure is used in conjunction with Stockman Bank of Montana's disaster recovery and contingency plans, due to our office's location and technological systems. The plans are designed to address the types of emergencies that our firm could face given its geographic location such as flooding, bombing, fire, or power failure. This policy and procedure is intended to satisfy the firm's regulatory requirements and allow the firm to meet its fiduciary responsibilities to our clients.