



## **Part 2A of Form ADV: Firm Brochure**

d/b/a Investment Management Group  
402 North Broadway  
PO Box 2507  
Billings, MT 59101  
Telephone: (406) 655-3960

Email: [jessica.neuman@stockmanbank.com](mailto:jessica.neuman@stockmanbank.com)

Web Address: [www.stockmanbank.com](http://www.stockmanbank.com)

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This brochure provides information about the qualifications and business practices of Stockman Wealth Management. If you have any questions about the contents of this brochure, please contact Jessica Neuman, Chief Compliance Officer (CCO), at (406) 258-1451 or [jessica.neuman@stockmanbank.com](mailto:jessica.neuman@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 Wealth Management is available on the SEC's website at [www.adviserinfo.sec.gov](http://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**

Since our last Form ADV, Part 2A amendment dated November 18, 2019; Stockman Wealth Management does not have any material changes to report.

If you have questions regarding this document, please contact Jessica Neuman at (406) 258-1451 or [jessica.neuman@stockmanbank.com](mailto:jessica.neuman@stockmanbank.com).

**Additional information about Stockman Wealth Management also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

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## **Item 4    Advisory Business**

Stockman Wealth Management is a SEC-registered investment adviser with its principal place of business located in Montana. Stockman Wealth Management, formerly 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 Wealth Management does business as Investment Management Group. 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 authority. 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 will most likely execute with the firm giving the best price.

Financial institution accounts (bank clients) are, and the municipality account is, reviewed by the Portfolio Managers. The frequency of communication will vary depending on the client. These reviews are performed in conjunction with a telephone call or email communication. These reviews include discussions of liquidity needs, swap opportunities, tax considerations, and other unique circumstances. Each account maintains its own accounting system for its securities.

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.

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:

- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- United States governmental securities
- Mortgage related securities
- Asset backed 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 Wealth Management offers the following advisory services to our clients under the Stockman Wealth 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 Wealth Management (sometimes referred to as our "data-gathering process"):

- A signed Financial Services Agreement
- A signed Investment Objective Statement
- 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 and sometimes using a Risk Assessment Questionnaire, 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 will 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 can 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 client contact 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 services offered by a broker/dealer and generally include 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
- Closed-end fund shares
- 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 tailored to our clients' and prospective clients' needs. The financial planning process typically begins with a comprehensive evaluation of a client's goals & objectives, and their current and future financial state. Our analysis results in a written report detailing recommendations on how to achieve their specific financial goals and objectives. 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.

## ***PENSION CONSULTING SERVICES***

Stockman Wealth Management acts as both a fiduciary and as an Investment Adviser for qualified retirement plans. We provide client education, fund analysis and reviews, and will regularly meet with plan sponsors and plan participants to discuss the plan. We receive a fee for these services based upon the market value of the assets in the plan.

Stockman Wealth Management acts as a non-discretionary fiduciary for qualified retirement plans. Plans can allow for individual security accounts and in those cases, we will act as a

discretionary fiduciary as separately agreed upon between the plan participant and Stockman Wealth Management.

### **"OTHER" SERVICES**

Stockman Wealth Management dba Investment Management Group provides Asset/Liability modeling utilizing a third party model. The model is provided to our bank clients for an additional fee. Non-client banks can contract for this service for a fee.

### ***AMOUNT OF MANAGED ASSETS***

As of December 31, 2019, Stockman Wealth Management actively managed \$560,796,043 on a discretionary basis plus \$2,570,171,399 on a non-discretionary basis.

## **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

#### ***INDIVIDUAL PORTFOLIO MANAGEMENT FEES***

Our annual fees for Portfolio Management Services are based upon a percentage of assets under management. 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

The fee schedule for mutual fund and ETF 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, mutual funds and ETFs) are charged the equity fee schedule on the equity portion of the account, the fixed income fee schedule on the fixed income portion of the account and the mutual fund and ETF schedule on the mutual fund and ETF portion of the account.

A fee of 0.00% is charged on all cash balances, regardless of asset allocation (with the exception of new accounts, see below). We charge a minimum fee of \$500 per year, which 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. 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 \$250,000 of assets under management is required for this service. This account size is negotiable under certain circumstances. Stockman Wealth Management can group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

***Limited Negotiability of Advisory Fees:*** Although Stockman Wealth Management has established the above fee schedule, we retain the right to negotiate alternative fees on a client-by-client basis. Client facts, circumstances, and needs can be considered in determining the fee schedule and method of payment. Other factors which can 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 Wealth management and each client. Discounts, not generally available to our advisory clients, are offered to family members and/or close personal relations to associated persons of our firm.

## ***FINANCIAL PLANNING FEES***

Stockman Wealth 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 \$2,500 - \$5,000. However, Stockman Wealth Management reserves the right to assess a greater fee for financial planning services based on the complexity of the client's circumstances.

We can request a retainer after 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 Wealth 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 SERVICES FEES***

Pension consulting fees are paid quarterly. Any unearned fee is refunded to the client on a prorated basis. Fees will be invoiced to the plan sponsor or deducted from the plan assets as directed by the plan sponsor.

Stockman Wealth Management and its employees **do not** receive compensation of any kind for recommending or using different types of investment products.

### ***"OTHER" SERVICES FEES***

Stockman Wealth Management provides asset/liability modeling utilizing a third party model. The model is provided to our bank clients for an additional fee. This fee is approximately \$2,400 per year, but can vary depending on the specific circumstances of each client. Stockman Wealth Management retains the right to negotiate fees on a client-by-client basis. Additionally, this service is offered to non-bank 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 can 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 refunded within two weeks following the cancellation notice. 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 Wealth 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 and will generally include a management fee, other fund expenses, and a possible commission. Stockman Wealth Management strives to minimize these costs as much as possible when utilizing them in client portfolios. Additionally, Stockman Wealth Management does not receive any portion of these fees, commissions or costs associated with these funds.

A client is certainly allowed to invest in a mutual funds and/or ETFs 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 Wealth 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 Wealth Management recommends non-affiliated custodians: Charles Schwab & Co. ("Schwab") and TD Ameritrade Institutional ("TDA"). The Client may incur separate transaction charges from these two custodians in connection with the investments made in their accounts. Stockman Wealth Management does not receive any portion of these fees. The advisory fee charged by Stockman Wealth Management is separate and distinct from the fees charged by these custodians.

***Grandfathering Minimum Account Requirements and Advisory Fee Schedules:*** Our firm's minimum account requirements and advisory fee schedules can differ among clients. Pre-existing advisory clients are subject to Stockman Wealth Management's minimum account requirements and advisory fees that were in effect at the time the client entered into the advisory relationship. Additionally, we will honor the account minimums and prior fee schedules that were in effect for those who were original clients of AnnaCo Investment Management and Peak Investment Management.

***Advisory Fees in General:*** Clients should note that similar advisory services are 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 Wealth Management does not charge performance-based fees.

## **Item 7 Types of Clients**

Stockman Wealth 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 a good time to buy) or overpriced (indicating a good 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 on its own or 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 can 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 can 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 will 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, we do not control the underlying investments in a fund or ETF. The managers of the different funds, held by the client, can purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a potential risk that a manager deviates from the stated investment mandate or strategy of the fund or ETF, which can 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 can be incorrect, there is always a risk that our analysis can 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 will not take advantage of short-term gains that are profitable to a client. Moreover, if our predictions are incorrect, a security can 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.

**Margin transactions:** On a limited, case by case basis, we can 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 use options as an investment strategy, if it makes sense for the client. 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:

1. 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.
2. 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 a call 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.

**Large Cap Value Equity Strategy (LCVE):** A composite Stockman Wealth Management created in 1999 as a way to seek to own high-quality, dividend-paying companies and to purchase them at attractive valuations. Our principal objectives are to preserve capital; to earn an adequate risk-adjusted return from blue-chip securities; and to outperform the S&P 500 Index / Russell 1000 Value over a full market cycle. We look for companies with strong balance sheets, good management, a long history of earnings and dividend growth, and appealing returns on equity. We consider the LCVE a long-term capital appreciation strategy, with dividend income paying us to wait for expected future price and earnings improvement.

***Risk of Loss:*** Securities investments are not guaranteed. Clients can lose money on securities investments. Stockman Wealth Management asks that our clients work with us and help us to understand their tolerance for risk. Risk of loss can 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 can 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 Wealth Management. Stockman Wealth 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.

The services provided by these Related Companies are separate and distinct from our advisory services.

When appropriate, Stockman Wealth Management and our employees can recommend the services of the Related Companies to our advisory clients. Stockman Wealth Management and its employees are not compensated by its related companies for these referrals or recommendations. No Stockman Wealth Management client is obligated to use the services of any of the Related Companies. Additionally, the Related Companies and their employees can also refer their clients to our firm for investment advisory services. Stockman Wealth 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 Wealth Management.

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 Wealth Management manages a corporate portfolio for our parent company, Stockman Financial Corp., and is paid a negotiated fee. To mitigate this conflict of interest, 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.

Stockman Wealth Management has a Board of Directors, that consists of affiliated company managers, some having designations such as attorneys and CPA's. Directors do not receive wages as a result of their board participation. In addition, Stockman Wealth Management does not receive any form of compensation as a result of these Director's designations.

Additional conflicts of interest are as follows:

- The Indirect Owners listed in our ADV Part 1, are also Directors of Stockman Wealth Management.
- Stockman Wealth Management manages personal accounts for some of the members of the Board of Directors.
- Stockman Wealth Management shares office space and administrative services with Stockman Bank and its subsidiaries; although are operationally independent.
- Stockman Wealth Management's CEO is also considered an employee of Stockman Financial Corp. due to his role on the investment committee, asset liability committee and bond portfolio; however he does not have direct or indirect "control" over any of the assets of Stockman Financial Corp.
- Stockman Wealth Management shares administration employees with Stockman Bank but will remain operationally independent with duties being segregated with respect to each firm. The employee(s) will have access to the Stockman Wealth Management database as deemed necessary to complete the necessary job functions.
- Some of Stockman Wealth Management employees have personal accounts that can be traded more frequently than clients, at times.
- Stockman Wealth Management manages accounts for employee's family and these accounts receive a discounted or waived fee.
- Stockman Wealth Management will execute block or aggregated trades with our regular clients and our related accounts together. (The only exclusion is that any supervised employee will not be included in any of these block trades.)

Stockman Wealth 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 Wealth Management continuously puts the interest of its clients first. In addition, Stockman Wealth Management takes the following steps to address actual or perceived conflicts of interest:

- We disclose to clients the existence of material conflicts of interest.
- We collect, maintain, and document client information. This client information will include relevant client background information such as the client's financial goals, objectives, and risk tolerance.
- Our portfolio managers are educated regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.
- Our firm's portfolio managers conduct regular reviews of each client account to verify that all recommendations made to a client are appropriate to the client's needs and circumstances.
- We monitor outside employment activities for all employees, to verify that any conflicts of interest continue to be properly addressed.

Questions regarding Stockman Wealth Management's affiliations and activities can be directed to Jessica Neuman, CCO via email a [jessica.neuman@stockmanbank.com](mailto:jessica.neuman@stockmanbank.com) or Ron O'Donnell, CEO [ron.odonnell@stockmanbank.com](mailto:ron.odonnell@stockmanbank.com), both can be reached by calling (406) 655-3960.

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

Our firm has adopted a Code of Ethics which requires 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 Wealth 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 Wealth 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 Wealth Management's Code of Ethics includes the firm's policy prohibiting the use of material non-public information (insider information). All employees are reminded that such information will 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 can request a copy by emailing Jessica Neuman, at [jessica.neuman@stockmanbank.com](mailto:jessica.neuman@stockmanbank.com), or by calling (406) 258-1451.



Stockman Wealth 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 can 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 can 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. We will aggregate (block) client transactions where possible and with our duty to seek best execution. 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 from all client block or aggregate transactions.

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 can put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm can 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 can 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 restricted security holdings for our firm's employees and access persons. 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 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 Wealth 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 can change/amend these limitations as required. Such amendments must be provided to us in writing.

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

1. Transactions for any client account cannot be aggregated for execution if the practice is inconsistent with the client's advisory agreement and our firm's duty to seek best execution.
2. The Portfolio Managers 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 Managers must reasonably believe that the order aggregation will benefit each client. Further, they must reasonably believe that the aggregation will enable Stockman Wealth 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 pre-allocation sheet (written or in electronic format) 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 among the participating client accounts in accordance with the pre-allocation sheet. However, adjustments to this allocation can be made to participating client accounts in accordance with the pre-allocation sheet. Furthermore, adjustments to this pro rata allocation can be made to avoid having odd amounts of shares held in any client account, or to avoid excessive trades 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.
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 Wealth 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 Wealth Management's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

Further details as they pertain to trading specifics can be found in the firms' Trading Policies and Procedures manual.

Clients are free to select any broker/dealer and/or custodian they wish. However, Stockman Wealth Management can recommend a broker/dealer and custodian based on the broker/dealer and/or custodian's costs, skills, dependability, compatibility, and reputation. Generally, Stockman Wealth 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 ("TDA"). TD Ameritrade Institutional is a division of TD Ameritrade Inc., member SIPC, 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 Wealth 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 will send clients mutual fund prospectuses with trade confirmations and provide 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 Wealth Management performs a best execution analysis on Schwab and TDA to ensure they are the best quality fit for our clients. Although other factors are considered, Schwab's and TDA'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 below for more information and disclosures regarding accounts not held in custody with Schwab and/or TDA.

#### **Client Trade Execution:**

Clients have the ability to execute their own trades either electronically or by contacting the Custodian. We do not encourage this as it interferes with how Stockman Wealth Management is managing a client's account(s). By doing this, Stockman Wealth Management will not assume any risks for these types of client trades nor will Stockman Wealth Management be responsible for any reporting obligations as required under our trading books and records rule.

#### **More Information on Schwab:**

Schwab provides Stockman Wealth 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 client 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 Wealth Management but do not directly benefit our clients' accounts. Many of these products and services can 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 client accounts; and
- Assist with back-office functions, record keeping and client reporting, including electronic co-ordination with our customer relationship management software.

Schwab Institutional offers other services intended to help us manage and further develop our business enterprise. These services 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 Wealth Management. Schwab Institutional sometimes discounts 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 for 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 creates a potential conflict of interest.

**More Information on TDA:**

Stockman Wealth Management participates in the institutional customer program offered by TDA. TDA offers services to independent investment advisers which include custody of our clients' securities, trade execution, clearance and settlement of transactions. TDA does not charge separately for custody services, but is compensated by account holders through commissions and other transaction-related fees. Additionally, there is no direct link between our firm's participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to TD Ameritrade retail investors.

These benefits to Stockman Wealth Management 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 Wealth Management by third party vendors.

Some of the products and services made available by TDA through the program can benefit Stockman Wealth Management but does not benefit our client accounts. These products or services 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 Wealth 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 Wealth Management or our related persons in and of itself creates a potential conflict of interest and indirectly influence our recommendation of TDA for custody and brokerage services.

***Directed Brokerage:*** Clients can direct which broker/dealer they prefer Stockman Wealth Management to use and Stockman Wealth Management will accept this written direction. Clients can 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 can result in higher costs or other disadvantages (higher commissions, less favorable net prices, etc.). Stockman Wealth Management will 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 Stockman Wealth Management'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 Stockman Wealth Management 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 Stockman Wealth Management before effecting such transactions. Such a relationship has the potential to raise possible conflicts of interest which include a financial interest to Stockman Wealth Management 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 are 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 and/or 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 are 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.

**Reports:** Clients receive monthly statements and trade confirmations of transactions from their qualified custodian. Stockman Wealth Management also provides clients with quarterly reports summarizing account performance and portfolio holdings. In addition, they can 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 can be conducted periodically, if required, throughout the duration of the initial Financial Planning process.

### ***PENSION CONSULTING SERVICES***

**Reviews:** Stockman Wealth 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 Wealth 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 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. We do not have any solicitor agreements in place at Stockman Wealth Management.

It is Stockman Wealth 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.

### **OTHER COMPENSATION**

As a matter of firm practice, Stockman Wealth 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. The custodians that we recommend are Charles Schwab and TD Ameritrade Institutional.

As part of the billing process, the clients that give us written authority will have their fees directly debited from their custodian account. Each quarter we will send an invoice copy to our clients and then we will advise the custodian of the amount of the fee to be deducted from the client's account. At least quarterly, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Stockman Wealth Management also sends reports 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. Clients should contact us directly if they believe that there is an error in their statement.

#### Contact Information:

Jessica Neuman, CCO

PO Box 7789

Missoula, MT 59807

[jessica.neuman@stockmanbank.com](mailto:jessica.neuman@stockmanbank.com)

Phone (406) 258-1451 fax (406) 874-8743

## **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 can limit this authority by giving us written instructions. Clients can also change/amend such limitations by providing us with written instructions.

## **Item 17 Voting Client Securities**

Stockman Wealth Management will vote proxies for its clients with proper client authorization.

In situations where Stockman Wealth Management has been authorized proxy voting responsibility, we will vote proxies in the best interests of our clients and in accordance with our established voting guidelines within our 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, any information 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 determine whether it is appropriate to disclose the conflict to the affected clients, to give the clients an opportunity to vote the proxies themselves, or to address the voting issue through other objective means such as utilizing an independent third party voting recommendation.

Clients, at any time, can request a copy of our voting record and a copy of our proxy policy by contacting Jessica Neuman by telephone, email, or in writing using the contact information below.

### **Class Action Settlements:**

Stockman Wealth Management has engaged Broadridge Financial Solutions to file class action claims on our client's behalf, in which they are eligible to participate. The clients are automatically enrolled in this service but they do have the ability to opt out of this service any time by notifying Jessica Neuman by telephone, email, or in writing using the contact information below.

Additionally, clients that opt out of this service can certainly 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 but we do not guarantee the completion of this service. We will neither advise nor act on behalf of the client for the filing of "Proofs of Claim" in class action settlements.

### **Contact Information:**

Jessica Neuman, CCO

PO Box 7789  
Missoula, MT 59807  
[jessica.neuman@stockmanbank.com](mailto:jessica.neuman@stockmanbank.com)  
Phone (406) 258-1451 fax (406) 874-8743

## **Item 18 Financial Information**

Stockman Wealth 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 three months in advance of services rendered. Therefore, we are not required to include a financial statement. Stockman Wealth 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 Wealth Management has developed and tested a disaster recovery and contingency plan. This plan would enable Stockman Wealth 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 faces given its geographic location. 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.