



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

### **Item 1 – Cover Page**

#### **Allied Investment Advisors, LLC**

3409 Transtech Way, Suite A

Billings, MT 59102

406-839-2037

[www.alliedinvest.net](http://www.alliedinvest.net)

Date of Brochure: March 12, 2020

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This brochure provides information about the qualifications and business practices of Allied Investment Advisors, LLC. If you have any questions about the contents of this brochure, please contact Gary Lucas at 406-839-2035 or [glucas@alliedinvest.net](mailto:glucas@alliedinvest.net). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Allied Investment Advisors is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for our name Allied Investment Advisors or our firm CRD number **159103**.

\*Registration as an investment advisor does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

This section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IARD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The following is a list of changes since our previous annual amendment filing dated January 31, 2019:

- **Item 1 – Cover Page**  
The main phone number has changed to 406-839-2037.
- **Item 4 – Advisory Business**  
We publish a monthly newsletter providing general information on various financial topics including, but not limited to, estate and retirement planning, and market trends. No specific investment recommendations are provided in this newsletter and the information provided does not purport to meet the objectives or needs of any individual. No advisory client is required to subscribe to any newsletters or periodicals. This newsletter is distributed free of charge to our advisory clients, but our Firm may enter into an arrangement with an unaffiliated firm to distribute our newsletter for a flat subscription fee.  
  
We have added financial planning services and employer sponsored retirement plan consulting to our services.
- **Item 5 – Fees and Compensation**  
We have added the description of fees for our financial planning services and employer sponsored retirement plan consulting services.
- **Item 7- Types of Clients**  
We have increased the account minimum to \$250,000 and have added a minimum annual fee of \$3,000.
- **Item 8- – Methods of Analysis, Investment Strategies and Risk of Loss**  
We have added language regarding options and cybersecurity.

If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our Chief Compliance Officer Gary Lucas at 406-839-2037 or [glucas@alliedinvest.net](mailto:glucas@alliedinvest.net).

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#### **Item 4 – Advisory Business**

Allied Investment Advisors, LLC is an investment advisor registered with the U.S. Securities and Exchange Commission and is a Limited Liability Company formed under the laws of the State of Montana.

- Gary Lucas is the Managing Member and majority owner of Allied Investment Advisors.
- Bart Aby is a Member and part owner of Allied Investment Advisors.
- Dan Kelly is a Member and a part owner of Allied Investment Advisors.
- Eric Vermulm is a Member and part owner of Allied Investment Advisors.
- Allied Investment Advisors has been registered as an investment advisor since December 2011.

#### **Description of Advisory Services**

##### *Investment Management Services*

Our firm specializes in providing portfolio management services which involve providing clients with on-going supervision over client accounts. This means that we monitor a client's account and make trades in client accounts when necessary. Through this service, we implement a customized and individualized investment program for clients by applying our investment strategy and philosophy. We actively manage client investment portfolios in accordance with the client's individual needs, return objectives and risk tolerance.

We will be granted trading authorization on the client's account. Trading authority allows us the ability to make trades in the client's account. Such authorization may be provided on a discretionary or non-discretionary basis depending on the individual needs and request of each client. Discretionary authority provides the ability to make trades in the client's account without contacting the client prior to each trade. When non-discretionary trading authorization is granted, Allied Investment Advisors must get the client's approval prior to making any changes in the client's account. Please refer to Item 16 of this brochure for more details.

You are always responsible for notifying us of any changes to your financial situation or investment objectives. At least annually, we will contact each client for the specific purpose to determine whether the client's financial situation or investment objectives have changed, or if the client would like to impose and/or modify any reasonable restrictions on the management of their accounts. We are always reasonably available to consult with clients relative to the status of their accounts. A client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the accounts. A separate account is always maintained for each client with the broker-dealer/custodian and the client retains all rights of ownership to their accounts (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

It is important that you understand that we manage investments for other clients and may give them advice or take actions for them or for our own personal accounts that is different from the advice we provide to you or actions we take for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts we manage. We strive to allocate investment opportunities believed appropriate for your account(s) and other accounts advised by our firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

We provide investment management services through accounts maintained at Charles Schwab & Company, Inc. ("Charles Schwab") and in some situations, may manage accounts at a qualified custodian selected by the client. Charles Schwab or the client selected qualified custodian (which may include a broker-dealer, bank, or product sponsor) will maintain custody of all funds and securities. Please see Items 12 and 15 of this brochure for more details.

#### *Financial Planning Services*

Our firm offers financial planning services to our investment management clients. Through our relationship with MoneyGuidePro, our firm is able to conduct an analysis of your current situation and identify appropriate financial planning and investment management techniques to help you to meet your specific financial objectives. Such services include various reports on specific goals and objectives or general investment and/or planning recommendations, answers to outside assets and periodic updates.

#### *Newsletters*

We publish a monthly newsletter providing general information on various financial topics including, but not limited to, estate and retirement planning, and market trends. No specific investment recommendations are provided in this newsletter and the information provided does not purport to meet the objectives or needs of any individual. No advisory client is required to subscribe to any newsletters or periodicals. This newsletter is distributed free of charge to our advisory clients, but our Firm may enter into an arrangement with an unaffiliated firm to distribute our newsletter for a flat subscription fee.

#### *Employer Sponsored Retirement Plan Services*

For employer-sponsored retirement plans with participant-directed investments, Allied Investment Advisors provides its advisory services as an investment advisor as defined under Section 3(21) and 3(38) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

When serving as an ERISA 3(21) investment advisor, the plan sponsor and Allied Investment Advisors share fiduciary responsibility. The plan sponsor retains ultimate decision-making authority for the investments and may accept or reject the recommendations in accordance with the terms of a separate ERISA 3(21) Investment Advisor Agreement between Allied Investment Advisors and the plan sponsor. Allied Investment Advisors provides the following services to the plan sponsor:

- Screen investments and make recommendations.
- Monitor the investments and suggests replacement investments when appropriate.
- Provide an investment monitoring report at least annually.
- Assist the plan sponsor in developing an Investment Policy Statement ("IPS").
- Provide a comprehensive fiduciary investment review designed to meet Plan Sponsor fiduciary responsibility and enhance the participant experience. This includes fiduciary education as requested by the Department of Labor (DOL).

When serving as an ERISA 3(38) investment manager, the plan sponsor is relieved of fiduciary responsibility for the investment decisions made by Allied Investment Advisors. Allied Investment Advisors is a discretionary investment manager in accordance with the terms of a separate ERISA 3(38) Investment Management Agreement between Allied Investment Advisors and the plan sponsor. Allied Investment

Advisors' investment management is limited in that it has the discretion solely to replace funds in plan fund lineups and initiate the transfer of existing balances to the replacements without prior approval from the client.

Allied Investment Advisors provides the following services to the plan sponsor:

- Select the investments.
- Monitor the investments, replace the investments and asset allocations when appropriate.
- Provide an investment monitoring report at least annually.
- Assist the plan sponsor in developing an Investment Policy Statement ("IPS").
- Provide a comprehensive fiduciary investment review designed to meet Plan Sponsor fiduciary responsibility and enhance the participant experience. This includes fiduciary education as requested by the Department of Labor (DOL).

Our goal in identifying the plan's investment options is to provide a range of options that will enable plan participants to invest according to varying risk tolerances, savings time horizons or other financial goals. The plan's investment options may consist of ETFs, CITs, mutual funds, model portfolios, or other similar investment funds. The investment funds from which our Firm will select from will be those that are available on the plan record-keeper's investment platform.

We provide Plan consulting services separately or combined. Clients may choose to use any or all of these services as indicated on the Investment Advisory Agreement with our Firm.

#### *Participant Education*

For pension, profit sharing and 401(k) plan clients in self-directed plans, we may provide periodic educational support, electronic educational materials and investment workshops designed for the plan participants, if provided for in our agreement with the client. Topics to be discussed will be determined in conjunction with the plan sponsor and in accordance with guidelines established in ERISA Section 404(c). The educational support and investment workshops will not provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

#### **Limits Advice to Certain Types of Investments.**

Allied Investment Advisors provides investment advice on the following types of investments:

- Exchange-listed equity securities (i.e. stocks)
- Securities traded over-the-counter (i.e. stocks)
- Foreign issues
- Fixed income securities
- Commercial paper
- Corporate debt paper
- Certificates of deposit
- Municipal securities
- Mutual Fund shares
- Exchange Traded Funds (ETFs)
- United States government securities

Allied Investment Advisors does not provide advice on warrants, variable life insurance, variable annuities, options contracts on securities, options contracts on commodities, futures contracts on tangibles or intangibles, interests in partnerships investing in real estate, oil, and gas interests, or hedge funds and other types of private (i.e. non-registered) securities.

When constructing individual portfolio strategies for clients we may hold any of the securities listed above, but we typically construct each client's account holdings using individual equity securities, fixed income

securities, mutual funds and ETFs. It is not our typical investment strategy to attempt to time the market. We may modify our investment strategy to accommodate special situations such as low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations. Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.

### **Tailor Advisory Services to Individual Needs of Clients**

Our services are always provided based on the individual needs of each client. This means, for example, that you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. We work with each client on a one-on-one basis through interviews and questionnaires to determine the client's investment objectives, risk tolerance and suitability information.

### **Client Assets Managed by Allied Investment Advisors**

As of December 31, 2019, Allied Investment Advisors has \$416,465,486 of discretionary assets under management and \$2,645,855 of non-discretionary assets under management.

## **Item 5 – Fees and Compensation**

### **Fees for Asset Management Services**

Clients may be charged fees based on a fixed percentage or based on a tiered fee schedule. The following fee schedule is an example of a typical fee schedule used to determine the annual percentage rate and is provided for illustrative purposes.

<b>Assets Under Management</b>	<b>Annual Fee</b>
First \$1 Million	1.2%
Next \$2 Million	1.0%
Next \$2 Million	0.9%
\$5 Million and Above	0.8%

The actual fee charged to each client shall be determined prior to establishing the arrangement and stated in the Allied Investment client agreement (or addendum). The exact client fee shall be determined (and in some cases negotiated) based on the client's amount of assets under management, overall investment objective (asset allocation), discretionary versus non-discretionary trading authorization, and the complexity of the client's overall financial situation and other factors. Based on complexity, account size, and other factors, our annual advisory fees may be more than the minimum fee listed above but no more than 1.75% annually and only if negotiated and agreed to by the client and our firm.

Fees are calculated by multiplying the assets under management by the relevant percent, dividing such product by 365, then multiplying by the number of days in the quarter. Accounts opened in mid-quarter will be assessed at a pro-rated management fee. Fees are payable quarterly in advance. Fees for the initial quarter will be adjusted pro-rata based on the number of calendar days in the calendar quarter in which the Allied Investment Advisors Investment Management Client Agreement goes into effect based on the initial account funding amounts.

Discrepancies may occur between the billing statement provided by our third party billing software and the statement from the custodian due to differences in accounting methods, trade date versus settlement date.

Allied Investment Advisors has the ability to produce billing summaries, which can be provided upon request.

All management fees will be paid directly by the client to Allied Investment Advisors or may be debited from the client's account.

For clients that pay fees directly, payment is due upon the client's receipt of the billing statement from Allied Investment Advisors. The billing statement will show the amount of fees due for the current quarter, the manner in which the fees are calculated, any adjustments to the fees, and explanations of any adjustments. When fees are debited from the client's account, Allied Investment Advisors will calculate the fee and send fee debit instructions to the account custodian or administrator. Please see Item 15 for more details.

Brokerage fees and/or transaction ticket fees charged by the custodian will be billed directly to the client. Allied Investment Advisors does not receive any portion of such fees from the custodian or client. In addition, clients may incur certain charges imposed by third parties other than Allied Investment Advisors in connection with investments made through the account, including but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, IRA and qualified retirement plan fees. Allied Investment Advisors does not receive any portion of such fees. Management fees charged by Allied Investment Advisors are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to clients. A description of these fees and expenses are available in each investment company security's prospectus.

The Allied Investment Advisors Investment Management Client Agreement may be terminated by either party (i.e. Allied Investment Advisors or the client) upon 30 days written or verbal notice to the other party. Written notice given by the client shall be effective upon actual receipt by our Firm at the address specified on the Investment Advisory Agreement or the then current address. The management fee will be pro-rated to the date of termination, for the quarter in which the termination notice was given and the unearned fee refunded to your account as indicated in your Agreement. Upon termination, you are responsible for monitoring the securities in your account, and we will have no further obligation to act or advise with respect to those assets. In the event of client's death or disability, our Firm will continue management of the account until we are notified and given alternative instructions by an authorized party.

Our Firm's newsletter is distributed free of charge to our advisory clients, but our Firm may enter into an arrangement with an unaffiliated firm to distribute our newsletter for a flat monthly subscription fee.

### ***Financial Planning Fees***

If you engage our Firm in investment management services, financial planning services are included in the investment management fee discussed above.



***Employer Sponsored Retirement Plan Fees***

We charge an annual fee as negotiated with the client and disclosed in the Employer Sponsored Retirement Plans Investment Advisory Agreement. The compensation method is explained and agreed upon in advance before any services are rendered. The following fee schedule is an example of a typical fee schedule used to determine the annual fee and is provided for illustration purposes. The exact fee shall be determined (and in some cases negotiated) based on several factors including plan assets, fiduciary versus non-fiduciary arrangement, complexity of overall relationship and other factors.

Under \$1 million	\$5,000 minimum fee
\$1-\$2 Million	.65%
\$2-\$5 Million	.50%
\$5-\$7 Million	.40%
\$7-\$10 Million	.30%
\$10-\$15 Million	.20%
>\$15 Million	Custom Priced
3(38) Fiduciary Services	Additional .05%

Plan advisory services begin with the effective date of the Investment Advisory Agreement, which is the date you sign the Investment Advisory Agreement. For that calendar month or quarter, fees will be adjusted pro rata based upon the number of calendar days in the calendar month or quarter that the Agreement was effective. Our fee is generally billed in advance on the last business day of the calendar month or quarter, as indicated on the Advisory Agreement Appendix A and as agreed to by the Custodian of the Plan. For Plans where our fee is billed to the custodian, the fee is deducted directly from the participant accounts. Written authorization permitting us to be paid directly from the custodial account is outlined in the Investment Advisory Agreement.

Either party may terminate the Investment Advisory Agreement at any time upon immediate notice. You are responsible to pay for services rendered until the termination of the agreement.

We never receive prepayment of more than \$1200 in fees per client, six (6) or more months in advance of providing any services.

***Administrative Services Provided by Black Diamond***

We have contracted with Black Diamond to utilize its technology platforms to support data reconciliation, performance reporting, fee calculation, client relationship maintenance, quarterly performance evaluations, and other functions related to the administrative tasks of managing client accounts. Due to this arrangement, Black Diamond will have access to client accounts, but Black Diamond will not serve as an investment advisor to our clients or bill the accounts. Our Firm and Black Diamond are non-affiliated companies. Black Diamond charges our Firm an annual fee for each account administered by its software.

Please note that the fee charged to the client will not increase due to the annual fee we pay to Black Diamond. The annual fee is paid from the portion of the management fee retained by our Firm.

With regard to employee related accounts and certain other accounts, the quarterly fees may be less than what is stated above in the fee schedule.

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

Item 6 is not applicable to this Disclosure Brochure because Allied Investment Advisors does not charge or accept performance-based fees. Performance-based fees are fees based on a share of capital gains or capital appreciation of the assets held within a client's account.

### **Item 7 – Types of Clients**

Allied Investment Advisors generally provides investment advice to the following types of clients:

- Individuals
- High-Net Worth Individuals
- Pension and profit sharing plans
- Trusts, estates, or charitable organizations
- Corporations and other businesses

### **Minimum Investment Amounts Required**

Generally, the minimum dollar value of assets required to establish a managed account is \$250,000 and a minimum annual fee of \$3,000. However, Allied Investment Advisors may waive or lower the account and fee minimum at its discretion. All clients are required to execute an agreement for services in order to establish a client arrangement with Allied Investment Advisors.

### **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

#### **Methods of Analysis**

Allied Investment Advisors primarily relies on Fundamental analysis which is a method of evaluating a security by attempting to measure its intrinsic value through examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of companies). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong and could therefore lead to an unfavorable investment decision.

Allied Investment Advisors may include mutual funds and exchange traded funds, ("ETFs") in our investment strategies. Allied Investment Advisors policy is to purchase institutional share classes of those

mutual funds selected for the client's portfolio. The institutional share class generally has the lowest expense ratio. The expense ratio is the annual fee that all mutual funds or ETFs charge their shareholders. It expresses the percentage of assets deducted each fiscal year for funds expenses, including 12b-1 fees, management fees, administrative fees, operating costs, and all other asset-based costs incurred by the fund. Some fund families offer different classes of the same fund and one share class may have a lower expense ratio than another share class. These expenses come from client assets which could impact the client's account performance. Mutual fund expense ratios are in addition to our fee, and we do not receive any portion of these charges. If an institutional share class is not available for the mutual fund selected, the adviser will purchase the least expensive share class available for the mutual fund. As share classes with lower expense ratios become available, Allied Investment Advisors may use them in the client's portfolio, and/or convert the existing mutual fund position to the lower cost share class. Clients who transfer mutual funds into their accounts with Allied Investment Advisors would bear the expense of any contingent or deferred sales loads incurred upon selling the product. If a mutual fund has a frequent trading policy, the policy can limit a client's transactions in shares of the fund (e.g., for rebalancing, liquidations, deposits or tax harvesting). All mutual fund expenses and fees are disclosed in the respective mutual fund prospectus.

### **Investment Strategies**

Allied Investment Advisors primarily implements a "long-term" approach to investing. This means we design portfolios for the "long-term". The exact period will vary depending on the client's circumstances and needs, but generally means investing for 5 years to 20 years from inception. Specific investments selected will typically be held for periods of at least one year or longer. Depending on the client's circumstances and investment selected, we may recommend and purchase investments with the intent to hold them for up to five years or longer. The risk associated with long term investing is that we do not actively change our positions when there are short-term periods of fluctuation and volatility. This is because we strive to select investments based on anticipated results for longer periods rather than short-term swings in the market. Because we do not implement an "active" trading strategy and do not manage accounts for short-term benefits, our managed accounts may not take advantage of short-term price fluctuations compared to a market-timer or short-swing investor.

### **Risk of Loss**

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our investment management program.

- Market Risk - The stock market as a whole goes down which may result in reduction of the value of an individual company. This is also referred to as systematic risk.
- Equity (Stock) Market Risk - Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

- Company Risk - When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk - When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk. There is also the risk that fixed income investments may lose value when interest rates rise (interest rate risk).
- ETF and Mutual Fund Risk - When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds.
- Management Risk - Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment may decrease.
- Capitalization Risk - Small-cap and mid-cap companies may be hindered as a result of limited resources or less diverse products or services, and their stocks have historically been more volatile than the stocks of larger, more established companies.
- Interest Rate Risk - In a rising rate environment, the value of fixed-income securities generally declines and the value of equity securities may be adversely affected.
- Credit Risk - Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and, thus, impact the fund's performance.
- Performance of Underlying Managers - We select the mutual funds and ETFs in our portfolios. However, we depend on the manager of such funds to select individual investments in accordance with their stated investment strategy.
- Liquidity Risk - Liquidity risk exists when particular investments would be difficult to purchase or sell, possibly preventing clients from selling such securities at an advantageous time or price.

- Cybersecurity Risk - In addition to the Material Risks listed above, investing involves various operational and “cybersecurity” risks. These risks include both intentional and unintentional events at Allied or one of its third-party counterparties or service providers, that may result in a loss or corruption of data, result in the unauthorized release or other misuse of confidential information, and generally compromise our Firm’s ability to conduct its business. A cybersecurity breach may also result in a third-party obtaining unauthorized access to our clients’ information, including social security numbers, home addresses, account numbers, account balances, and account holdings. Our Firm has established business continuity plans and risk management systems designed to reduce the risks associated with cybersecurity breaches. However, there are inherent limitations in these plans and systems, including that certain risks may not have been identified, in large part because different or unknown threats may emerge in the future. As such, there is no guarantee that such efforts will succeed, especially because our Firm does not directly control the cybersecurity systems of our third-party service providers. There is also a risk that cybersecurity breaches may not be detected.

### **Item 9 – Disciplinary Information**

Item 9 is not applicable to this Disclosure Brochure because there are no legal or disciplinary events that are material to a client’s or prospective client’s evaluation of our business or integrity.

### **Item 10 – Other Financial Industry Activities and Affiliations**

Allied Investment Advisors is an independent investment advisory firm and only provides investment advisory & management services and employer sponsored retirement plan consulting. The Firm is not engaged in any other business activities and offers no other services than those described in this Disclosure Brochure.

Allied Investment Advisors is **not** and does **not** have a related company that is a (1) broker/dealer\*, municipal securities dealer, government securities dealer or broker, (2) investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund), (3) other investment adviser or financial planner, (4) futures commission merchant, commodity pool operator, or commodity trading advisor, (5) banking or thrift institution\*\*, (6) accountant or accounting firm, (7) lawyer or law firm, (8) insurance company or agency, (9) pension consultant, (10) real estate broker or dealer, or (11) sponsor or syndicator of limited partnerships.

\*Although not technically a “related” person as defined for purposes of Form ADV, the President and owner of D.M. Kelly & Company, a registered broker/dealer, has a 15% membership interest in Allied Investment Advisors. We formerly utilized D.M. Kelly & Company as a broker/dealer for our client accounts but moved all accounts out of D.M. Kelly & Company.

\*\*Gary Lucas serves as a director of Yellowstone Bank, a Montana-based regional banking institution, Member FDIC and the Federal Reserve System.

Allied Investment Advisors and Yellowstone Bank are not under common ownership and therefore are not related companies.

The Yellowstone Bank board of directors meet quarterly, and Mr. Lucas spends approximately five hours per quarter fulfilling his director duties. At these meetings, the directors, including Mr. Lucas, focus on the bank acting within the terms of its business policies as well as staying compliant with all banking regulations.

Mr. Lucas is compensated for his services, as is typical for most small community bank directors. Allied Investment Advisors clients in need of banking services are regularly referred by Allied Investment Advisors to Yellowstone Bank. Likewise, Yellowstone Bank can refer their customers in need of an investment professional to Allied Investment Advisors. This relationship creates a conflict of interest with clients. To mitigate this conflict, disclosure is made to the client identifying the nature of Mr. Lucas's relationship as a Board Member of Yellowstone Bank. We do not receive fees or any other compensation from Yellowstone Bank for making such referrals and we do not compensate Yellowstone Bank for any referrals they may make to our firm. However, Mr. Lucas's role as a director for the bank is a conflict of interest in that his recommendation to use Yellowstone Bank is based, at least partially, on his role with the bank and not necessarily based solely on the client's interests of utilizing the most appropriate need. Therefore, he recommends Yellowstone Bank over other banks and lending institutions that provide the same or similar services. You are never required to work with Yellowstone Bank. You have the right to decide whether to engage with Yellowstone Bank or with any bank of your choosing and are so informed. Mr. Lucas will always act in the best interest of his clients.

We do not have arrangements with third-party investment advisors or third-party money managers to refer our clients to such companies for their investment advisory and investment management services.

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

##### **Code of Ethics Summary**

Allied Investment Advisors has established a Code of Ethics. As a fiduciary, it is an investment advisor's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each client at all times. This fiduciary duty is considered the core underlying principle for our Code of Ethics which also covers our Insider Trading and Personal Securities Transactions Policies and Procedures. We are committed to conducting business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Full disclosure of all material facts and potential conflicts of interest will be provided. Our business and client dealings will be honest, ethical and fair. We attempt to avoid or at least disclose all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided as a summary of our Code of Ethics. However, if you would like to review the Code of Ethics in its entirety, a copy will be provided promptly upon request.

##### **Affiliate and Employee Personal Securities Transactions Disclosure**

Allied Investment Advisors or our personnel may buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a potential conflict of interest. It is the express policy of Allied Investment Advisors that all persons associated in any manner with our firm must place the interests of our clients ahead of their own when implementing personal investments. Allied Investment Advisors and its associated persons shall not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with our firm unless the information is also available to the investing public upon reasonable inquiry. In order to minimize this conflict of interest, securities recommended by Allied Investment Advisors are widely held and publicly traded. In addition, we have implemented internal procedures requiring all personnel to report their personal securities transactions and holdings to the firm for review and monitoring purposes.

#### **Item 12 – Brokerage Practices**

**Charles Schwab & Company, Inc.**

Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account, as described in the next paragraph.

**How We Select Brokers/Custodians to Recommend**

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, these:

- Combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- Capability to execute, clear and settle trades (buy and sell securities for your account)
- Capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- Reputation, financial strength and stability of the provider
- Their prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see "Products and Services Available to Us from Schwab")

**Your Custody and Brokerage Costs**

For our clients' accounts it maintains, Schwab does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab's commission rates applicable to our client accounts were negotiated based on our commitment to maintain at least \$200 million of our clients' assets in accounts at Schwab.

This commitment benefits you because the overall commission rates you pay are lower than they would be if we had not made the commitment. In addition to commissions Schwab charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account.

**Products and Services Available to Us from Schwab**

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage - trading, custody, reporting and related services - many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us as long as we keep a total of at least \$200 million of our clients' assets in accounts at Schwab. Here is a more detailed description of Schwab's support services:

Services that Benefit You. Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

Services that May Not Directly Benefit You. Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements);
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- Provide pricing and other market data;
- Facilitate payment of our fees from our clients' accounts; and
- Assist with back-office functions, recordkeeping and client reporting.

Services that Generally Benefit Only Us. Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Technology, 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 may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

Disclosure specific to Client Directed Brokerage Arrangements. Although we recommend, and in some cases may even require, the use of Schwab, you may be able to select the broker/dealer-custodian of your choice presuming we can be authorized to view and trade the account. Clients directing the use of a particular broker/dealer or other custodian must understand that we may not be able to obtain the best prices and execution for the transaction. Under a client-directed brokerage arrangement, clients may receive less favorable prices than would otherwise be the case if the client had not designated a particular broker/dealer or custodian. Directed brokerage account trades are generally placed by Allied Investment Advisors after effecting Allied Program trades for other clients of Allied Investment Advisors. When Allied Investment Advisors implements trades on an aggregated basis, it is not possible to include client-directed trades with the aggregated trades executed through the Allied Program.

### **D.M. Kelly & Company**

The President of D.M. Kelly & Company controls 15% of our firm. In addition, we receive client referrals from D.M. Kelly & Company. Potential clients are referred by D.M. Kelly & Company when they believe our advisory services would be a good fit for the client. We do not directly compensate D.M. Kelly & Company for referrals they provide and clients that are referred to us are never required to work with us.



### **Block Trading Policy**

Transactions implemented by Allied Investment Advisors for client accounts are generally affected independently. On occasion, we may decide to aggregate orders if we purchase or sell the same securities for several clients at approximately the same time. This is also referred to as batch trading or block trading and may be used by our firm when Allied Investment Advisors believes such action may prove advantageous to clients. When Allied Investment Advisors aggregates client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable fees and expenses or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among our firm's clients in proportion to the purchase and sale orders placed for each client account on any given day. When Allied Investment Advisors determines to aggregate client orders for the purchase or sale of securities, including securities in which Allied Investment Advisors may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* It should be noted, Allied Investment Advisors does not receive any additional compensation or remuneration as a result of aggregation.

## **Item 13 – Review of Accounts**

### **Account Reviews and Reviewers**

Typically, on a quarterly basis, accounts are printed and reviewed to determine consistency with stated investment objectives. Clients are contacted at least annually for the purpose of reviewing the client's account(s) and to determine if there have been changes in the client's financial situation or investment objectives. The calendar is the main triggering factor, although more frequent reviews may also be triggered by changes in the client's circumstances, client request, or changes within the market. Investments held within client accounts are reviewed on a more frequent basis.

Accounts are reviewed by the client's investment adviser representative or team of investment adviser representatives assigned to the client.

### **Statements and Reports**

Clients will receive account statements at least quarterly from the Custodian. In addition, clients may receive periodic performance reports from Allied Investment Advisors. Clients are encouraged to always compare reports provided by Allied Investment Advisors against the accounts statements delivered from the qualified Custodian.

## **Item 14 – Client Referrals and Other Compensation**

Allied Investment Advisors has entered into arrangements with unaffiliated individuals or entities ("Introducing Advisors") that will refer clients to Allied Investment Advisors for investment advisory services. In return, Allied Investment Advisors has agreed to pay the Introducing Advisor a fee for the referral.

Introducing Advisor's associates are **not** employees of Allied Investment Advisors. Introducing Advisor and Allied Investment Advisors are independent entities under separate ownership and control.

The Introducing Advisor is **not** authorized to provide investment advice or manage investments on behalf of or through Allied Investment Advisors. The Introducing Advisor does **not** have authority to accept an investment advisory agreement on behalf of Allied Investment Advisors or to collect or receive payment in its own name for any investment advisory services of Allied Investment Advisors. The Introducing Advisor's

role on behalf of Allied Investment Advisors is limited strictly to introducing or referring prospective clients to Allied Investment Advisors.

Compensation paid by Allied Investment Advisors to the Introducing Advisor is dependent upon the client entering into an investment advisory agreement with Allied Investment Advisors. Compensation paid by Allied Investment Advisors to the Introducing Advisor will be an agreed upon percentage of the investment management fee of Allied Investment Advisors as specified in the Introducing Advisor's disclosure statement provided to the client.

This referral program of Allied Investment Advisors will be in compliance with federal or state regulations (as applicable). The solicitation/referral fee is paid pursuant to a written agreement retained by both Allied Investment Advisors and Introducing Advisor. Introducing Advisor or Allied Investment Advisors will be required to provide the client with a copy of a written solicitor disclosure statement, this Form ADV Part 2A disclosure brochure and Part 2B brochure supplement(s), and the Introducing Advisor's Form ADV Part 2A at the time of the referral.

Revenue received by Allied Investment Advisors includes the fees we charge for providing investment advisory services, pension consulting services and the revenue from newsletter services (as described in Item 5 of this brochure). As disclosed in Item 12, we also receive non-economic benefits from and Charles Schwab. Otherwise, we receive no other forms of compensation.

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices). The availability of Schwab's products and services to us is not based on our giving particular investment advice, such as buying particular securities for our clients.

### **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

Allied Investment Advisors is deemed to have custody of client funds and securities whenever Allied Investment Advisors is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody Allied Investment Advisors will maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which Allied Investment Advisors is deemed to have custody, the firm has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from Allied Investment Advisors. When clients have questions about their account

statements, they should contact Allied Investment Advisors or the qualified custodian preparing the statement.

When fees are deducted from an account, Allied Investment Advisors is responsible for calculating the fee and delivering instructions to the custodian.

### **Item 16 – Investment Discretion**

Upon receiving written authorization from the client, Allied Investment Advisors provides **discretionary** investment advisory services for client accounts. When discretionary authority is granted, Allied Investment Advisors will have the authority to determine the type of securities and the amount of securities that can be bought or sold for the client portfolio without obtaining the client's consent for each transaction.

If you decide to grant trading authorization on a **non-discretionary** basis, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, Allied Investment Advisors will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

All clients have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. Clients may also place reasonable limitations on the discretionary power granted to our firm so long as the limitations are specifically set forth or included as an attachment to the client agreement.

### **Item 17 – Voting Client Securities**

Allied Investment Advisors does **not** vote proxies on behalf of your account. While there are some investment advisors that will vote proxies and other corporate decisions on behalf of their clients, we have determined that taking on the responsibility for voting client securities does not add enough value to the services provided to clients to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in accounts managed by our firm.

Clients will receive proxies directly from their custodian or transfer agent and such documents will not be delivered by our firm. Although we do not vote client proxies, if you have a question about a particular proxy feel free to contact us.

### **Class Action Lawsuits**

Clients retain the right under the applicable securities laws to initiate individually a lawsuit or join a class-action lawsuit against the issuer of a security that was held, purchased or sold by or for the client. Allied Investment Advisors will not initiate such a legal proceeding on behalf of an advisory client and does not

provide legal advice to its clients regarding potential causes of action against such a security issuer and whether a client should join a class-action lawsuit. Allied Investment Advisors recommends that clients seek legal counsel prior to making a decision regarding whether to participate in such a class-action lawsuit. Upon client's specific instruction, Allied Investment Advisors may provide assistance to its clients regarding a client's investment history related to the security underlying the individual or class-action lawsuit and provide assistance with the completion of this portion of certain class-action paperwork. At no time should such assistance by Allied Investment Advisors be deemed as a substitute for consulting with legal counsel.

#### **Item 18 – Financial Information**

This item is not applicable to this brochure. Allied Investment Advisors does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, Allied Investment Advisors has not been the subject of a bankruptcy petition at any time.