



## Part 2A of Form ADV: Firm Brochure

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March 28, 2022

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) 655-3960 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 [adviserinfo.sec.gov](http://adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 122166.

## **Item 2 Material Changes**

Stockman Wealth Management does not have any material changes to this Firm Brochure, since our last annual amendment on March 26, 2021.

If you have questions regarding this document, please contact Jessica Neuman at (406) 655-3960 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 [adviserinfo.sec.gov](http://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 and provides advisory services to financial institutions and one municipality (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, 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.

The accounts are 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 individual portfolio management services by providing continuous asset management of client funds based on the individual needs of the client. Our minimum for this services is \$250,000. 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. Any limitations or changes in discretionary authority must be communicated in writing.

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
- Mutual Funds
- Exchange Traded Funds (ETFs)
- Securities traded over-the-counter
- Foreign issuers
- Corporate Debt Securities
- Commercial Paper
- Certificates of Deposit
- Municipal Securities
- United States Government Securities
- 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.

### ***AUTOMATED INVESTMENT PROGRAM***

We now have a fully online, automated investment program (the “Program”) through which clients are invested in a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange-traded funds and mutual funds (“Funds”) and a cash allocation. The minimum for this service is \$5,000. The client’s portfolio is held in a brokerage account opened by the client at Charles Schwab & Co., Inc. (“CS&Co”). We use the Institutional Intelligent Portfolios<sup>®</sup> platform (“Platform”), offered by Schwab Performance Technologies (“SPT”), a software provider to independent investment advisors and an affiliate of CS&Co., to operate the Program. We are independent of and not owned by, affiliated with, or sponsored or supervised by SPT, CS&Co., or their affiliates (together, “Schwab”). We, and not Schwab, are the client’s investment advisor and primary point of contact with respect to the Program. We are solely responsible, and Schwab is not responsible, for determining the appropriateness of the Program for the client, choosing a suitable investment strategy and portfolio for the client’s investment needs and goals, and managing that portfolio on an ongoing basis. We have contracted with SPT to provide us with the Platform, which consists of technology and related trading and account management services for the Program. The Platform enables us to make the Program available to clients online and includes a system that automates certain key parts of our investment process (the “System”). The System includes an online questionnaire that can help us determine the client’s investment objectives and risk tolerance and select an appropriate investment strategy to recommend, in response to the client’s answers to the online questionnaire. The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but we then make the final decision and select a portfolio based on all the information we have about the client. The System also includes an automated investment engine through which we manage the client’s portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects).

### **"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, 2021, Stockman Wealth Management actively managed \$800,782,199 on a discretionary basis plus \$4,929,207,622 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 fee for Individual Portfolio Management Services is based upon 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 (except for 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.

### ***AUTOMATED INVESTMENT PROGRAM***

We charge clients an annual flat fee of 0.50% or \$10 per month, whatever is greater, and payable in advance. Our fees are not set or supervised by Schwab. Clients do not pay brokerage commissions or any other fees to Schwab as part of the Program. Schwab does receive other revenues, including (i) the profit earned by Charles Schwab Bank, a Schwab affiliate, on the allocation to the Schwab Intelligent Portfolios Sweep Program described in the Schwab Intelligent Portfolios Sweep Program Disclosure Statement; (ii) investment advisory and/or

administrative service fees (or unitary fees) received by Charles Schwab Investment Management, Inc., a Schwab affiliate, from Schwab ETFs™ Schwab Funds® and Laudus Funds® that we select to buy and hold in the client's brokerage account; (iii) fees received by Schwab from mutual funds in the Schwab Mutual Fund Marketplace® (including certain Schwab Funds and Laudus Funds) in the client's brokerage account for services Schwab provides; and (iv) remuneration Schwab receives from the market centers where it routes ETF trade orders for execution.

We do not pay fees to utilize the Platform so long as we maintain \$100 million in client assets in accounts at Schwab, that are not enrolled in the Program. If we do not meet this condition, then we pay an annual licensing fee of 0.10% (10 basis points) on the value of our clients' assets in the Program. This fee arrangement gives us an incentive to recommend or require that our clients with accounts not enrolled in the Program be maintained with Schwab.

### ***"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***

***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 ETFs 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.

***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, fees are paid in advance of services provided, unless under a grandfathered schedule. Upon termination of any account, any unearned fees will be refunded within two weeks following the cancelation notice, except if your client agreement states otherwise or if you are enrolled in our automated investment program. Since the automated investment program is billed monthly, we will not issue refunds as stated in the client agreement.

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

Stockman Wealth Management does not charge performance-based fees.

## **Item 7 Types of Clients**

For Investment Advisory Services and Individual Portfolio Management, 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

Under the Automated Investment Program, Stockman Wealth Management is limited to providing the service to only Individuals. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974, are not eligible for the Program. The minimum investment required to open or convert an account in the Program is \$5,000. The minimum account balance to enroll in the tax-loss harvesting feature is \$50,000.

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 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 to determine if there is significant overlap in the underlying investments held in other fund(s) in the client's portfolio. We also monitor the funds or ETFs 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 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 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. 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 by our founding principals in 1999 as a way to seek to own high-quality, dividend-paying companies and to purchase them at attractive valuations. Our primary 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 can refer the services of the

Related Companies to our advisory clients and our Related Companies can refer their clients to Stockman Wealth Management. There is not any compensation exchanged for these referrals. Clients are not obligated to use any of services of Related Companies.

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 because of their board participation. In addition, Stockman Wealth Management does not receive any form of compensation because of these Director's designations.

Stockman Wealth Management provides institutional/bank portfolio management services to our sister company, Stockman Bank of Montana and individual portfolio management to our parent company, Stockman Financial Corp. Stockman Wealth Management is paid a negotiated fee for providing these services.

Additional Related Company conflicts of interest are as follows:

- The Indirect Owners found in 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 roles 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 the employees of our firm will not be included in any of these block trades.

Questions regarding Stockman Wealth Management's affiliations and employee activities can be directed to Jessica Neuman, CCO via email at [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 (“Code”) which requires each employee to act in accordance with the firm’s high standard of business conduct. The Code 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 but to the general principles that guide the Code.

Since our employees can buy or sell securities in their personal accounts, identical to, or different from, those recommended to our clients, our Code establishes rules of conduct designed to govern personal securities trading activities in the accounts of employees, their immediate family/household accounts, and accounts in which an employee has a beneficial interest, among other things. Since we owe a fiduciary duty to our clients first, our Code is designed that employees conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their position with the firm and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

The Code is designed to ensure that the high ethical standards long maintained by Stockman Wealth Management continue to be applied. The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading, and other forms of prohibited or unethical business conduct.

We prohibit our employees from engaging in principal transactions (where the adviser, acts as principal for its own account and buys from or sells directly to the client) and agency cross transactions (where the adviser acts as both the broker for the client and the other party).

We also monitor other business activities for our employees, to verify that any conflicts of interest continue to be properly addressed.

Please refer to Item 10 above for our conflict of interest disclosures about our Related Companies.

A copy of our Code of Ethics is available by calling (406) 655-3960 or by emailing Jessica Neuman, at [jessica.neuman@stockmanbank.com](mailto:jessica.neuman@stockmanbank.com).

## **Item 12 Brokerage Practices**

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

All accounts must be maintained at a qualified custodian, generally a broker-dealer, and our

clients are free to select any custodian they wish. Stockman Wealth Management will recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC and/or TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc. ("TDA"), 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 and/or TDA.

While we recommend Schwab and/or TDA, the client will decide whether to open an account by entering into an account agreement directly with Schwab and/or TDA and Stockman Wealth Management will be available to assist with the process. Conflicts of interest associated with this arrangement are described below as well as in Item 14. You should consider these conflicts of interest when selecting your custodian.

Even though most accounts are maintained at Schwab and/or TDA, and we anticipate that most of the trades will be executed through their individual trading platforms, we can still use other brokers (prime brokers) to execute trades for your account as described below.

### ***CUSTODIAN SELECTION***

When considering both Schwab and TDA, Stockman Wealth Management reviews many factors that compares their overall services. The main factors include:

- Combination of transaction execution services and asset custody services;
- Capability to execute, clear, and settle trades (buy and sell securities for your account);
- Capability to facilitate transfers to and from accounts;
- Range of available investment products (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 the prices;
- Reputation, which includes financial strength, security and stability;
- Prior service to us and our clients;
- Services delivered or paid for by the custodian; and
- Availability of other products and services that benefit us. More information about each custodian is listed below.

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

### ***AUTOMATED INVESTMENT PROGRAM***

Client accounts enrolled in the Automated Investment Program are maintained at, and receive the brokerage services of, Schwab. While clients are required to use Schwab as custodian/broker to enroll in the Program, the client decides whether to do so and opens its account with Schwab by entering into a brokerage account agreement directly with Schwab. We do not open the account for the client. If the client does not wish to place his or her assets with Schwab, then we cannot manage the client's account through the Program. Schwab may aggregate purchase and sale orders across accounts enrolled in the Program, including both accounts for our clients and accounts for clients of other independent investment advisory firms using the Platform.

### ***BLOCK TRADING***

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 to or from multiple client accounts. 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 on any day and on a pre-allocated basis. Block trading does not always result in the lowest commission or best price.

### ***CLIENT TRADE EXECUTION***

For our individual portfolio management services, Clients can 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.

### ***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 achieve most favorable execution of client transactions and/or negotiate commissions with the broker/dealer specified by the client.

If 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 because 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.

## **MORE INFORMATION ON SCHWAB**

For our clients' accounts that Schwab maintains, Schwab generally 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. Certain trades (for example, many mutual funds and ETFs) may not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab's Cash Features Program. In addition to commissions and other fees, 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, to minimize your trading costs, we have Schwab execute most trades for your account. We are not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. Although we are not required to execute all trades through Schwab, we have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above under Custodian Selection. By using another broker or dealer you may pay lower transaction costs.

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like us. They provide Stockman Wealth Management and our clients, both those enrolled in the Program and our clients not enrolled in the Program, with access to its institutional brokerage services—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. However, certain retail customers may be able to get institutional brokerage services from Schwab without going through us.

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 described below are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

We don't have to pay for these services, and they are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. With respect to the Program, as described above under *Item 4 Advisory Business*, we do not pay fees for the Platform so long as we maintain \$100 Million in client assets in accounts at Schwab, that are *not* enrolled in the Program.

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 the client and the client's account.

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 makes available to our firm other products and services that benefit us but do not directly benefit our clients. These products and services assist us in managing and administering our clients and operating our firm. They include investment research, both Schwab's own and that of third parties. We use this research to service all or a 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.

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

- Educational conferences and events;
- Consulting on technology and business needs;
- Consulting on legal and related compliance needs;
- Publications and conferences on practice management and business succession;
- Access to employee benefits providers, human capital consultants, and insurance providers; and
- Marketing consulting and support.

Schwab provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab also discounts or waives its fees for some of these services or pays all or a part of a third party's fees. Schwab also provides us with other benefits, such as occasional business entertainment of our personnel. If you did not maintain your account with Schwab, we would be required to pay for these services from our own resources.

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services. The fact that we receive these benefits from Schwab is an incentive for us to recommend the use of Schwab rather than making such a decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of transactions. This is a conflict of interest. We believe, however, that taken in the aggregate our recommendation of Schwab as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality, and price of Schwab's services and not Schwab's services that benefit only us.

### ***MORE INFORMATION ON TD AMERITRADE***

As described above, Stockman Wealth Management participates in the TD Ameritrade

Institutional program. TDA Ameritrade Institutional is a division of TD Ameritrade Inc. (“TDA”) member FINRA/SIPC. TD Ameritrade is an independent SEC-registered broker-dealer. TD Ameritrade offers services to independent investment advisers which include custody of securities, trade execution, clearance, and settlement of transactions. Stockman Wealth Management is not affiliated with TD Ameritrade but does receive benefits through its participation in their Institutional program.

TDA does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related fees. There is no direct link between our firm's participation in the Institutional program and the investment advice we give to our clients, although we receive economic benefits through our participation in the Institutional 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):

- Receipt of 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);
- Access to 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 order entry and account information;
- Access to mutual funds with no transaction fees and to certain Institutional money managers; and
- Compliance, marketing, research, technology, and practice management products or services provided either by TDA and/or third-party vendors without cost or at a discount.

Some of the products and services made available by TDA through the Institutional 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 Institutional 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.

## **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.

## ***AUTOMATED INVESTMENT PROGRAM***

**Reviews:** No formal reviews will be conducted as contracted for this service. It will be the obligation of the client to keep their information current on the Platform and make any changes to their online questionnaire that will determine how the account is invested. Stockman Wealth Management will provide periodic and ongoing monitoring of the funds in the overall strategies selected to determine the overall appropriateness for the clients enrolled.

**Reports:** Client accounts will not receive any reports from Stockman Wealth Management as contracted for this service. Schwab will be responsible for sending account statement and trade confirmations.

### **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.

We receive an economic benefit from our unaffiliated custodians in the form of the support products and services they make available to us. You do not pay more for assets maintained at our custodians because of these arrangements. However, we benefit from the arrangements because the cost of these services would otherwise be borne directly by us. You should consider these conflicts of interest when selecting a custodian. The products and services provided by our custodians, how they benefit us, and the related conflicts of interest are described in *Item 12 Brokerage Practices*. The availability to us of products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

## **Item 15 Custody**

Our firm does not have actual or constructive custody of client accounts. The custodians that maintain actual custody of clients' assets that we recommend are Charles Schwab and TD Ameritrade Institutional.



Under government regulations, we are deemed to have custody of a client's assets if the client authorizes us to instruct the custodians to deduct our advisory fees directly from the client's account. 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. Our contact information is on page 1.

## **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. 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 deciding 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 on page 1.

**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 on page 1.

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.

## **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.