

# Stoker Ostler



## **Stoker Ostler Wealth Advisors Inc.**

4900 N Scottsdale Road, Suite 2600  
Scottsdale, AZ 85251  
(480) 890-8088  
[www.stokerostler.com](http://www.stokerostler.com)

Adviser Brochure

**March 27, 2023**

This brochure provides information about our qualifications and business practices. If you have any questions about the contents of this brochure, please call us at (480) 890-8088.

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.

We are an investment adviser registered with the SEC. This registration does not imply a certain level of skill or training.

Additional information about us is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Our CRD number is 111320.

## **2. Material Changes**

There have been no material changes to our brochure since our last update dated November 4, 2022.

### 3. Table of Contents

2. Material Changes.....	2
3. Table of Contents.....	3
4. Advisory Business.....	4
5. Fees and Compensation.....	6
6. Performance Based Fees and Side-by-Side Management.....	8
7. Types of Clients.....	9
8. Methods of Analysis, Investment Strategies and Risk of Loss.....	10
9. Disciplinary Information.....	14
10. Other Financial Industry Activities and Affiliations.....	15
11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	16
12. Brokerage Practices.....	18
13. Review of Accounts.....	20
14. Client Referrals and Other Compensation.....	21
15. Custody.....	23
16. Investment Discretion.....	24
17. Voting Client Securities.....	25
18. Financial Information.....	26
Additional Information.....	27

#### **4. Advisory Business**

Stoker Ostler Wealth Advisors, Inc. (referred to as “Stoker Ostler,” “our,” “us,” “we”) was formed as Private Wealth Management Inc., in June 1997. Our principal place of business is in Scottsdale, Arizona. We are a wholly-owned subsidiary of BMO Financial Corp., a wholly-owned subsidiary of Bank of Montreal (“BMO”).

We operate under our legal name, Stoker Ostler Wealth Advisors, Inc., as well as under the brand name “BMO Wealth Management.” This brand is discussed more fully in Item 10 “Other Financial Industry Activities and Affiliations.”

We offer investment management, financial planning, and consulting services to high net-worth individuals, trusts, estates, charitable organizations, and other entities.

##### *Investment Management*

We provide discretionary and non-discretionary investment management services based on the individual needs of our clients. We develop a personalized Investment Policy Statement (“IPS”) based on data that we gather through personal discussions with our clients. During these discussions, we determine clients’ individual goals and objectives, investment time horizon, risk tolerance, asset allocation targets, investment guidelines, and liquidity needs. Clients may also impose reasonable restrictions for investing in certain securities or types of securities. We then build a customized and diversified portfolio that meets the parameters outlined in the IPS.

We generally recommend that clients allocate investments among various asset classes. Asset classes may include equities, fixed income securities, real estate investment trusts, and various types of alternative investments. Within these asset classes, we generally recommend that clients allocate investments among various issuers and types of issuers.

Client funds are deposited with a custodian or directly with mutual fund companies. Depending on the breadth of our investment management authority, we may retain service providers and take other actions such as selecting money managers to provide services to portions of a client’s portfolio, selecting investment funds, and purchasing and selling securities.

When we provide investment advice to clients regarding client retirement plan accounts or individual retirement accounts (IRAs or Roth IRAs), we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with clients’ interests, so we operate under a special rule that requires us to act in clients’ best interest and not put our interests ahead of clients’ interests.

As of December 31, 2022, we had approximately \$2.06 billion of discretionary assets under management and approximately \$105.0 million of non-discretionary assets under management.

*Financial Planning and Consulting*

We also provide financial planning and consulting services to clients. We gather information about clients' current financial status and tax status, future goals, return objectives, and risk tolerance. We carefully review documents supplied by clients, and prepare financial reports designed to help clients achieve their financial goals and objectives. We may recommend the services of other professionals, such as attorneys or accountants. Our clients retain discretion over any implementation decisions and are free to accept or reject any of our recommendations.

## 5. Fees and Compensation

### *Investment Management*

Our standard fees are based on a specified annual percentage rate of the client's assets under management. Our standard fees are listed below. However, our fees are negotiable and will vary. Further, previous fee schedules are still in effect for some clients. These previous fee schedules include fees that are higher and lower than the current fee schedule.

Current fee schedule (billable on total assets under management):

- 1% on the first \$3 million
- 0.85% on the next \$2 million
- 0.65% on the next \$5 million
- 0.55% on assets above \$10 million

Each agreement for investment advisory services contains the effective fee schedule. Our fees are prorated and paid monthly, in arrears, and are based on the market value of the assets on the last business day of the previous month. Negative cash balances (margin) will not be deducted from the value of clients' billable assets and therefore included in the calculation of the advisory fee paid to us. Most commonly, fees are debited directly from the client's account. However, with special approval, the client may be invoiced directly. A client agreement may be terminated by either party for any reason by written notice. If a client terminates their client agreement, the client is still obligated to pay advisory fees prorated through the date of termination.

### *Financial Planning and Consulting*

For clients receiving investment management services, most ongoing financial planning and consulting services are included in the investment management fees. However, we may charge investment management clients for extraordinary financial planning or consulting services in certain circumstances. We will provide written notice to the client in these situations. We typically charge hourly fees to non-investment management clients for financial planning and consulting services and to investment management clients for extraordinary financial planning and consulting services. Fees charged will depend on the level and scope of the services required and the professionals rendering these services. Hourly fees will generally range from \$250 to \$350 per hour plus any expenses incurred. We bill hourly fees monthly in arrears. If the circumstances warrant, we may charge a fixed fee for financial planning and consulting services.

### *Other Fees*

Clients will incur charges from custodians, broker-dealers, and other third parties including custodial fees, mutual-fund level charges, odd-lot differentials, transfer taxes, wire transfer and electronic funds fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds, closed-end funds, and exchange-traded funds also charge internal management fees, which are disclosed in each fund's prospectus. Such charges, fees, and commissions are exclusive of and in addition to our fees. We do not receive any portion of these charges, fees, or commissions.

We select and recommend mutual fund share classes that are available to the client and in the client's best interest. In most cases, this means the lowest expense share class in which the client qualifies to invest.

We may negotiate with the fund to gain access to lower fee share classes for the benefit of clients. For example, for clients that would normally only have access to investor share classes with higher fees, we may attempt to negotiate access to institutional share classes (or equivalents) that have a lower expense ratio. However, we are not always successful in negotiating institutional share class access for all our clients.

Access to institutional or equivalent share classes may not be available to all clients. Client access may be limited to investor or higher fee classes if the client cannot meet the minimum fund investment level for a lower fee share class, the lower fee share class is not available on the client's investment platform, or if there are other requirements of the particular share class that the client does not meet. We may still recommend an investment in such a fund if the available share class is in the client's best interest. In making this determination, we may consider, among other things, whether the investment is not available in an institutional share class or other no-load option, offers the best fee for clients in situations where an institutional share class is not available, and charges fees that are reasonable given the fund's strategy and other factors.

Item 12—Brokerage Practices further describes the factors that we consider in selecting or recommending custodians or broker-dealers for client transactions.

## **6. Performance Based Fees and Side-by-Side Management**

We do not charge any performance-based fees (fees based on a share of capital gains on, or capital appreciation of, the client's assets).



## **7. Types of Clients**

We provide investment management services to high net-worth individuals, trusts, estates, charitable organizations and other entities. Typically, our account minimum is \$500,000. However, we may reduce the account minimum based on certain criteria. These criteria include anticipated future earnings capacity, anticipated future additional assets, assets to be managed, related accounts, account composition and negotiations with clients.

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

Investing in securities involves risk of loss that clients should be prepared to bear. Past performance is not indicative of future results. Investment products are not FDIC insured, have no bank guarantee, and may lose value. We make no guarantee or representation of performance.

### *Methods of Analysis*

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

#### *Asset Allocation:*

We attempt to identify an appropriate ratio of investments by asset class suitable to the client's investment goals and risk tolerance.

A risk of this asset allocation approach is that the client may not participate in sharp increases in a particular security, industry, or market sector. In addition, there is a risk that the ratio of investments by asset class will change over time due to market movements. In this case, we may have to rebalance the asset allocation to be consistent with client's goals.

#### *Individual Securities:*

While we do not focus primarily on individual securities, we do recommend and purchase individual securities, both equities and fixed income, in order to achieve optimal asset allocation for our clients. Individual securities expose our clients to certain risks. The prices of securities held in client accounts and the income they generate may decline in response to local and global events. These events may affect the issuers of the securities, the general economy, and the financial markets. Other factors affecting individual securities include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices.

#### *Equity Securities:*

Common stocks are the most common individual equity securities we recommend and purchase for our clients. Common stocks represent an ownership interest in a company. The prices of common stocks and the income they generate may fluctuate based on events specific to the issuing company, conditions affecting the general economy, overall market changes, changes or weakness in applicable business sectors, and other factors.

#### *Fixed Income Securities:*

Investment-grade corporate bonds and municipal bonds are the most common fixed income investments we recommend and purchase for our clients. Prices of fixed income securities rise and fall in response to changes in the applicable interest rates. Generally, when interest rates rise, prices of fixed income securities fall. Changes in a fixed income security's value usually will not affect the amount of interest income paid. Interest rate changes have a greater effect on the price of fixed income securities with longer maturities. Fixed income investments have a stated maturity date when the issuer must repay the principal amount. Some fixed income securities, known as callable bonds, may repay the principal earlier than the stated maturity date. Bonds are most likely to be called when interest rates are falling because the issuer can refinance at a lower rate.

The credit rating or financial condition of an issuer may affect the value of a bond. Generally, a lower quality rating for a bond means there is a greater risk that the issuer will fail to pay interest fully and return principal in a timely manner. The issuer of an investment-grade bond is more likely to pay interest and repay principal than an issuer of a lower rated bond. Credit ratings are not an absolute standard of quality, but rather general indicators that reflect only the rating agency's view. If an issuer defaults or becomes unable to honor its financial obligations, the bond may lose some or all of its value.

#### Municipal Bonds:

Municipal bonds are subject to risks based on many factors, including economic and regulatory developments, changes or proposed changes in the federal and state tax structure, deregulation, court rulings and other factors. The value of municipal securities may be affected more by supply and demand factors or the creditworthiness of the issuer than by market interest rates. Repayment of municipal securities depends on the ability of the issuer or project backing such securities to generate taxes or revenues. There is also a risk that the interest on an otherwise tax-exempt municipal bond may be subject to federal income tax.

#### Mutual Funds and Exchange Traded Funds:

We look at the experience and performance record of the fund manager to determine if the manager of a mutual fund or exchange traded fund ("ETF") has demonstrated an ability to invest successfully over a period of time and in different economic conditions. We also look at whether the fund has no-load or low-load features, the fund's return, and the fund's cost efficiency.

A risk of investing in mutual funds and ETFs is that a manager who has been successful may not be able to replicate that success in the future. The risk and value of a mutual fund or ETF investment is directly related to the risk and value of the securities invested in by the fund. Fund investors rely on the fund manager to make investment decisions for the fund as neither we nor the investor can direct the underlying investments in a mutual fund or ETF. Managers of different funds held by a single client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the mutual fund or ETF, which could make the holding less suitable for the client's portfolio.

#### Closed-End Interval Funds:

An interval fund is a type of closed-end fund that periodically (every three, six, or twelve months as disclosed in the fund's prospectus and annual report) offers to repurchase its shares from shareholders at a price based on net asset value. Interval funds differ from traditional closed-end funds in that shares typically do not trade on the secondary market. Shareholders are not required to accept interval fund repurchase offers. However, these periodic repurchase offers are constraints on liquidity. There is no assurance that an investor will be able to sell shares of the interval fund when or in the amount desired, and the fund may suspend or postpone repurchases.

Interval funds share many of the same risks as other closed-end funds and mutual funds. In addition to these risks, interval funds may have liquidity constraints that result from the lack of a secondary market and the fact that repurchase offers are only made periodically. Because of these potential liquidity constraints, interval funds may not be appropriate for investors with a short-term investment horizon. Our portfolio managers evaluate the

suitability of interval funds relative to the client's investment strategy and time horizon as captured in the client's IPS.

### *Investment Strategies*

Our investment advice is based on several factors, including, but not limited to, the client's investment objectives, risk tolerance, tax positions and objectives, asset class preferences, time horizons, liquidity needs, and expected returns. Our investment advice is also based on an assessment of current economic and market views expressed by economic analysts, banks and securities firms. As stated in Item 4—Advisory Business, we will develop the client's IPS based on these factors. The IPS outlines recommended investment allocations among various asset classes and prepares a proposed asset allocation plan appropriate for that profile. We maintain working lists of securities that we select for use in client portfolios, and we conduct and document investment due diligence on the working lists. Reviews of securities included on the working lists include both qualitative and quantitative factors. We also utilize working lists or other research provided by several of our affiliates to identify securities that we may recommend to our clients. We review the securities on these working lists to identify and avoid any securities that may pose potential conflicts of interest. We also perform investment due diligence on these securities before approving them for potential recommendation to our clients, which may include consideration of research and other information provided by our affiliates.

We utilize a variety of investment strategies, taking into consideration the client's best interest. Ideally, we prefer to hold investments long-term (one year or more) due to preferential tax treatment in taxable accounts. However, we may hold investments for shorter periods of time depending on the security, market environment, and economic conditions.

In taxable accounts we try to offset realized gains with realized losses. When market declines occur, we may "harvest" losses to be used to offset future gains. Using these strategies could increase a client's after-tax rate of return.

A risk in a long-term investment strategy is that we may not take advantage of short-term gains that could be profitable to a client. Moreover, a security may decline sharply in value before we make the decision to sell. A risk in a short-term investment strategy is more frequent trading, which may result in an increase in brokerage and other transaction-related costs. In addition, short-term capital gains may receive less favorable tax treatment.

Other investment strategies we may use include short sales, margin transactions and option trading. However, these are used rarely or at the request of our clients. The risk of using these types of strategies is disclosed, in writing, and we require clients to sign special forms prior to implementation.

### *Risks of Loss*

Our securities analysis methods rely on the assumption that the issuers of the securities we recommend, 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 any indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

We attempt to offset this risk by reviewing and rebalancing each client's portfolio as outlined in the IPS. Because of the dynamic and fast-moving nature of the markets, unanticipated new risks can arise at any time. Maintaining a highly diversified investment portfolio helps to offset these types of risks but cannot eliminate them altogether.

## **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. We have no reportable disciplinary events to disclose.

## **10. Other Financial Industry Activities and Affiliations**

We have no management persons registered or applying for registration as a broker-dealer or registered representative of a broker-dealer. We have no management persons registered or applying for registration as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the forgoing entities.

We are one of a number of related parties operating under the BMO Wealth Management brand. “BMO Wealth Management” is a brand delivering investment management services, trust, deposit and loan products and services through BMO Harris Bank N.A., a national bank with trust powers (“BHB”); digital investment advisory and financial planning services through BMO Direct Invest Inc., an SEC-registered investment adviser (“BDI”); family office services and investment advisory services through BMO Family Office, LLC, an SEC-registered investment adviser (“BMOFO”); investment advisory services through Stoker Ostler Wealth Advisors, Inc., an SEC-registered investment adviser; and trust and investment management services through BMO Delaware Trust Company, a Delaware limited purpose trust company (“BDTC”). These entities are all affiliates and owned by BMO Financial Corp., a wholly-owned subsidiary of BMO. BMO Wealth Management brand products and services are not available in every state or location.

It is possible that BHB, BMOFO, BDI, and BDTC recommends, purchases, or sells for their clients the same securities we recommend, purchase, or sell for our clients. It is possible that other related parties recommend, purchase, or sell the same funds or securities, thus sharing in the profits and losses of those funds or securities.

We have common management and officers with some of our affiliates. We rely on BMO and BMO Financial Corp. for various administrative support, including information technology, human resources, business continuity, compliance and legal, finance, enterprise risk management, and internal audit. Our affiliates also provide investment research and other services which we use in servicing our clients, including the working lists and research described in Item 8—Methods of Analysis, Investment Strategies and Risk of Loss. While these affiliations can create potential conflicts of interest, we mitigate these potential conflicts of interest through our corporate governance structure and by maintaining policies and procedures to identify, mitigate, and disclose any actual or potential conflict of interest.

We do not recommend to our clients any investments in which we or a related person have a proprietary interest. Our related persons are specifically disclosed in Section 7.A on Schedule D of Form ADV, Part 1, which can be accessed by following the directions provided on the Cover Page of this brochure.

## **11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

We have adopted BMO Wealth Management US Unified Code of Ethics (as supplemented by our Compliance Manual and other applicable policies and procedures, the “Code”) that describe our standards of business conduct, fiduciary duty to our clients, and the restrictions and reporting requirements for our employees’ personal investments. Our employees are subject to the Code and must acknowledge the terms of the Code annually or as it is amended. Employees are instructed to place the interests of our clients first, conduct all their personal securities transactions in a manner consistent with the Code, and not take advantage of their positions.

The Code is intended to promote the highest standards of ethical and professional conduct. Among other terms, the Code contains provisions prohibiting fraudulent conduct, market manipulation, and trading on the basis of material non-public information. The Code contains our requirements regarding the confidentiality of client information and provisions dealing with gifts and entertainment.

As a fiduciary to our advisory clients, we owe those clients a duty of loyalty. We always act in utmost good faith, placing our clients’ interests first and foremost, while making full and fair disclosure of all material facts. This is especially true in cases of actual or potential conflicts of interest. We recognize that independence in the investment decision-making process is vital. The Code strictly prohibits action taken or avoided for the purpose of achieving a personal benefit rather than a client benefit.

Our firm and our employees may buy and sell securities identical to or different from those recommended to our clients for their personal accounts. It is possible that our affiliates recommend, purchase, sell, or have a position or interest in securities that we recommend, purchase, or sell for our clients. While these factors create possibilities that our firm, our employees, or our affiliates may share in the profit or losses of securities held by our clients, we believe our policies, procedures, and controls, as well as those of our affiliates, are reasonably designed to ensure that any actual or potential conflicts of interest are addressed appropriately. The Code requires that our employees obtain pre-clearance of certain personal securities transactions, including any acquisition of securities in a limited offering. Employees are restricted from acquiring any security distributed in an initial public offering until trading of the security commences in the secondary market. The Code also requires that our employees’ trading be continually monitored to reasonably prevent conflicts of interest with our clients.

Our clients or prospective clients may request a copy of our Code by calling Lee Ann Reitz at (480) 890-8088 or emailing her at [LeeAnn.Reitz@stokerostler.com](mailto:LeeAnn.Reitz@stokerostler.com).

We do not effect principal or agency cross securities transactions for client accounts or cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security trades between an affiliated fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in a transaction in which the investment



adviser or its affiliate acts as broker-dealer for both parties to a securities transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. We are not registered as a broker-dealer, and we do not use an affiliated broker-dealer for client trades.

## 12. Brokerage Practices

Our clients, regardless of their advisory relationship, are under no obligation to use any of our affiliated entities to provide brokerage services or act as custodian of assets. While a client may select an affiliated entity to provide such services, we would not receive compensation resulting from the client's decision to utilize the affiliate's services.

For clients in need of brokerage or custodial services, we recommend that clients establish accounts with the following broker-dealers to maintain custody of their assets and to effect trades for their accounts:

- Schwab Advisor Services ("Schwab"), division of Charles Schwab & Company, Inc., an independent and unaffiliated registered broker-dealer and FINRA member;
- National Financial Services, Inc. ("Fidelity"), an independent and unaffiliated registered broker-dealer and FINRA member; and
- TD Ameritrade ("TD"), an independent and unaffiliated registered broker-dealer and FINRA member.

When recommending or selecting a broker-dealer for any transaction or series of transactions, we are under a duty to seek the best qualitative execution for the client's account. We consider many factors including, without limitation, the broker-dealer's commission rate, convenience, execution capabilities and quality, clearance and settlement capabilities, our past experience with the broker-dealer, reputation, error resolution, back-office efficiency, research services, and financial stability. We endeavor to select broker-dealers with transaction fees that are reasonable in relation to the value of the brokerage and overall service.

Schwab's, Fidelity's and TD's services generally are available to independent investment advisors on an unsolicited basis at no charge to them. These services are not contingent upon our firm committing to these custodians any specific amount of business. These custodians' brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab, Fidelity and TD provide us with access to institutional trading and custody services which are typically not available to retail investors. They may, from time to time, provide products and services that assist us in managing and administering clients' accounts, including software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing, and other market data; (iv) facilitate payment of our fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab, Fidelity and TD may also offer other services intended to help us manage and further develop our business enterprise. These services may include: (i) compliance, legal, and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants, and insurance providers. Schwab, Fidelity and TD may make available,

arrange, and pay third-party vendors for the types of services rendered to us. They may discount or waive fees they would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. They may also provide other benefits such as educational events or occasional business entertainment for our personnel. In evaluating whether to recommend Schwab, Fidelity or TD, we may take into account the availability of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely the nature, cost, or quality of custody and brokerage services. This may create a potential conflict of interest.

When beneficial to the client, individual fixed income transactions may be effected through a broker-dealer with whom we have contracted for prime brokerage clearing services. Certain account minimums may apply for a client to be eligible for prime brokerage services.

#### *Client Referrals*

Neither we, nor any of our principals or associated persons receive any portion of the brokerage commissions or transactions fees charged to clients. As noted in Item 14—Client Referrals and Other Compensation, we participate in the Schwab Advisor Network® referral program. Schwab also provides client referrals to us; however, we are under no obligation to, and do not, direct trades to Schwab in return for client referrals.

#### *Aggregated Trades*

As a matter of policy and practice, we do not generally aggregate client trades; we implement client transactions separately for each account. Consequently, certain client trades may be executed before others at a different price or commission rate. Additionally, our clients may not receive volume discounts available to advisers who aggregate client trades. However, if client trades are received at approximately the same time, we may aggregate trade orders to obtain best execution, negotiate more favorable commission rates or to allocate equitably among clients any differences in prices, commissions, or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated to clients in proportion to each client's order amount.

### **13. Review of Accounts**

#### *Investment Management*

Client portfolios are reviewed at least annually and rebalanced to the investment objective found in the client's IPS. In reviewing a client's portfolio, we assess diversification by asset class and industry and compare the portfolio with the investment strategy in the IPS. The annual review form is completed by Operations and reviewed by the assigned portfolio manager. If the review results in action items, the assigned portfolio manager is responsible to address the action items.

We provide an inventory of assets showing market value and cost of each security to each client on at least an annual basis unless directed otherwise by the client. The custodian provides detailed transactions and holdings at least quarterly. We calculate and provide portfolio performance information to clients on at least an annual basis, unless directed otherwise by the client.

#### *Financial Planning and Consulting*

Our financial planning and consulting clients receive a Retirement Model which includes financial objectives and a net worth statement. We provide and update additional analyses and reports as needed and requested by the client. We review and update Retirement Models as necessary. Reviews are conducted by either the portfolio manager or a dedicated financial planner, and sometimes both.

More comprehensive financial planning reviews are done at the client's request, if the client relocates to a new state or country, or if the client's estate planning documents are outdated. In these cases, we typically recommend the client review and update those documents with their attorney.

## **14. Client Referrals and Other Compensation**

Our referral agreements comply with Rule 206(4)-1 under the Investment Advisers Act of 1940 as applicable. Referral payments are made at our expense solely and do not result in additional fees to our advisory clients. Referral fees may be based on a percentage or portion of the advisory fees we earn or may be fixed payments.

We receive client referrals from Schwab through our participation in Schwab Advisor Network® (the “Service”) mentioned in Item 12 – Brokerage Practices. We pay Schwab a referral fee (“Participation Fee”) quarterly at an annualized rate of 0.10 to 0.25% of the average daily total assets we manage for each client referred to us through the Service, subject to a minimum Participation Fee. Different fee schedules may exist for previously referred Schwab clients. Under these previous Schwab referral fee schedules, we pay Schwab a Participation Fee equal to 15% of the amount collected from referred clients during the previous quarter. The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with us. Schwab does not supervise us and has no responsibility for our management other advice or services to our clients.

We pay Schwab a Participation Fee on all referred clients’ accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. We pay Schwab the Participation Fee for so long as the referred client’s account remains in custody at Schwab. The Participation Fee is billed to us quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by us and not by the client. We do not charge clients referred through the Service fees or costs greater than the fees or costs we charge clients with similar portfolios who were not referred through the Service.

We pay Schwab a Non-Schwab Custody Fee if custody of a referred client’s account is not maintained by, or assets in the account are transferred from Schwab. This fee does not apply if the client was solely responsible for the decision to maintain custody outside of Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees we generally would pay in a single year. Thus, we have an incentive to recommend that client accounts be held in custody at Schwab. We have never incurred a Non-Schwab Custody Fee.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of our clients who were referred by Schwab and those referred clients’ family members living in the same household. Accordingly, we have an incentive to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit our fees directly from the accounts.

For accounts of our clients maintained in custody at Schwab, Schwab does not charge the client separately for custody but receives compensation from our clients in the form of commissions or other transaction-related compensation on trades executed through Schwab. Schwab also receives fees (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab’s fees for trades executed at other broker-dealers are in

addition to the other broker-dealer's fees. Thus, we may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. We nevertheless seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for our other clients. Accordingly, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

We also have referral arrangements in place with unaffiliated solicitors. Different fee schedules may exist for previously referred clients.

We may enter into referral agreements with and make payments to our affiliates' employees for client referrals. Similarly, our employees may enter into referral agreements with our affiliates and receive payment for client referrals or otherwise marketing products and services of those affiliates. Certain employees of Stoker Ostler or our affiliates will be compensated for client referrals which may include the introduction of new clients or the retention of existing clients. This compensation may be paid directly or through a discretionary bonus.

## **15. Custody**

We are deemed to have custody of clients' funds or securities when the clients authorize us to deduct our management fees directly from clients' accounts. We are also deemed to have custody of clients' funds or securities when clients have a standing letter of authorization ("SLOA") with their custodian to allow us to move money from clients' accounts to a third-party and designate the amount or timing of transfers with the custodian.

All client assets are held at unaffiliated qualified custodians. Clients sign an account application with a custodian upon opening their investment advisory account with us. The custodian will notify us of the custody account number and other pertinent information.

At least quarterly, clients should receive statements directly from the qualified custodian that holds and maintains their investment assets. We urge clients to carefully review such statements and compare the custodian's statements to the reports that we provide.

Our reports may vary from the custodian's statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

As is stated in Item 12—Brokerage Services, our clients are under no obligation to use any of our affiliated entities to provide custodial services. If a client selects an affiliated entity to provide custodial services, we do not receive any compensation based upon the client's selection and use of the affiliated entity's custodial services.

## **16. Investment Discretion**

We have discretionary authority to manage securities accounts on behalf of our clients. Discretionary authority includes the authority to select securities to buy or sell, the amount of securities to buy or sell, and the timing of the purchase or sale. We exercise investment discretion in accordance with the investment objectives for each client account. If the client imposes any investment restrictions and we agree to them, these supersede our investment discretion.

Under the terms of our standard investment advisory agreement and the custodian account agreements, clients grant us a limited power of attorney with discretionary authority over their investments and may limit this authority either under the IPS or by providing us with separate written instructions. Authority on non-discretionary accounts will be limited and is based on the preferences selected on the account application.



## 17. Voting Client Securities

We have developed joint proxy-voting policies with certain of our affiliates (together and individually, the “BMO Organization”). When acting as a fiduciary, the BMO Organization votes proxies in the sole interest of its fiduciary clients. Unless the client has directed otherwise, the BMO Organization generally votes proxies for securities held in client accounts and has adopted policies and procedures designed to help ensure that those proxies are voted in the best interests of fiduciary clients.

The BMO Organization has contracted with Columbia Threadneedle Investment’s (“CTI”) Responsible Engagement Overlay (“REO”) team, a third party, to provide proxy voting services for the BMO Organization. The BMO Organization retains the ability to override all votes instructed by REO through read-write access on the voting platform. Through a Business Relationship Agreement with our affiliate, BMO Asset Management, Inc., we can instruct the BMO Organization to override votes directly on our behalf. The BMO Organization’s global proxy voting process is overseen by BMO Organization’s Responsible Investment (“RI”) Team. The RI team along with the Proxy Working Group (“PWG”) administer the global proxy voting framework including interaction with CTI’s REO. Stoker Ostler has representation on the PWG. The PWG consists of representatives of the BMO Organization and is the vehicle through which entities such as Stoker Ostler can escalate, override or opine on proxy votes to ensure they are cast in the best interest of their respective clients.

Clients may retain the right and obligation to vote any proxies relating to securities held in their account by providing written notice to us. Any changes to a client’s proxy voting instructions must be received in writing.

Clients may obtain information regarding how we voted proxies for securities in their account, as well as our complete proxy voting policies and procedures, by calling Lee Ann Reitz at (480) 890-8088 or via email at [LeeAnn.Reitz@stokerostler.com](mailto:LeeAnn.Reitz@stokerostler.com).

## **18. Financial Information**

We are not experiencing any financial condition that would impair our ability to meet contractual commitments to clients.

## **Additional Information**

### *Privacy Notice*

Our Privacy Notice, which includes information describing how a client's information may be shared with BMO, our affiliates and with others, is available by contacting us at (480) 890-8088 or by emailing Lee Ann Reitz at [LeeAnn.Reitz@stokerostler.com](mailto:LeeAnn.Reitz@stokerostler.com).

### *Anti-Money Laundering*

To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person that establishes a relationship with the institution.

When individual clients open an account with us, we will ask for their name, address, date of birth, and other information that will allow us to identify them. We may also ask clients to provide a copy of their driver's license or other identifying documents.

If the client is a corporation, partnership, trust or other legal entity, we will ask for other information, such as its principal place of business, local office, employer identification number, organizational documents, government-issued business license, partnership agreement, trust agreement, or other identifying documents. We will also ask for information identifying the control persons and beneficial owners of the entity.

The information clients provide may be used to verify clients' identity by using internal sources and third-party vendors. If the requested information is not provided within thirty calendar days, we can suspend services to a client's account.

We may be required to disclose information collected under our anti-money laundering program pursuant to applicable laws, rules, or regulations. Otherwise, the information will be retained in confidence according to our Privacy Notice.