

Form ADV Part 2A: *Firm Brochure*

Item 1 – Cover Page

Pinnacle Wealth Management, Inc.

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This brochure provides information about the qualifications and business practices of Pinnacle Wealth Management, Inc. If you have any questions about the contents of this brochure, please contact us at (513) 874-4440. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Pinnacle Wealth Management, Inc. is also available on the Internet at www.adviserinfo.sec.gov. You can view information on this website by searching for Pinnacle Wealth Management, Inc.'s name or by using its CRD number: 121065.

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

Item 2 – Material Changes

Since our last annual amendment dated February 2019, we have made no material changes to this brochure.

We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31, so you will receive the summary of material changes, if any, no later than April 30 each year. At that time, we will also offer a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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Item 4 – Advisory Business

Ownership

Pinnacle Wealth Management, Inc. (referred to as “Pinnacle Wealth Management”, “us” and “we”) is an investment advisor registered with the Securities and Exchange Commission since July 2004. We also do business under the name The Pinnacle Group. We are an Ohio corporation that is wholly owned by Pinnacle Financial Advisors, LLC, which, in turn, is wholly owned by Jeffrey S. Sims, Anna C. Barton and Anthony J. Bruns.

General Description of Primary Advisory Services

We offer personalized investment advisory services including financial planning, retirement and pension plan services, asset management services and referrals to third party money managers. The following are brief descriptions of our primary services. A detailed description is provided in **Item 5, Fees and Compensation**, so that clients and prospective clients (“clients” or “you”) can review the services and description of fees more thoroughly.

Retirement Plan Services

We offer a suite of advisory services, which can be provided separately or in combination, for corporate retirement plans. While the primary clients for these services will be pension, profit sharing, and 401(k) plans, we can offer these services, where appropriate, at the individual and participant level. These services include fiduciary reviews for retirement plan sponsors, consulting and monitoring services and employee communication services. Services generally also include managing plan assets or consulting on plan assets.

Financial Planning Services (Plans and Consultations)

Financial planning can be described as helping individuals determine and set their long-term financial goals, through investments, tax planning, asset allocation, risk management, retirement planning and other areas. The role of a financial planner is to find ways to help clients understand their overall financial situation and help them set financial objectives.

We offer advisory services in the form of financial plans. These services do not involve actively managing your accounts. Instead, comprehensive planning services focus on your overall financial situation. Modular planning services and consultations (both one-time and on-going) focus on specific areas of concern to you.

Asset Management Services

We offer asset management services providing you with continuous and on-going supervision over your accounts. This means that we continuously monitor your account and make trades in that account when necessary.

Educational Seminars and Workshops

We provide educational seminars and workshops focused on investment and financial planning topics and issues. We do not charge to attend our seminars and workshops.

Limits Advice to Certain Types of Investments

We provide investment advice to the following types of investments:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issues
- Warrants
- Corporate debt securities (other than commercial debt)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States government securities
- Options contracts on securities and commodities
- Futures contracts on tangibles
- Interests in real estate partnerships investing in real estate
- Alternative investments (i.e., REITs, UITs)

When providing some of our advisory services, we introduce you to investment managers who provide discretionary management of individual portfolios of equity and/or fixed income securities.

We reserve the right to offer advice on any investment product that may be suitable for each client's specific circumstances, needs, goals and objectives. Please refer to **Item 5, Fees and Compensation** and **Item 8, Methods of Analysis, Investment Strategies and Risk of Loss** for more information.

Tailor Advisor Services to Individual Needs of Clients

Our services are always provided based on your specific needs. You have the ability to impose restrictions on your accounts, including specific investment selections and sectors. However, we will not enter into an investment advisor relationship with a prospective client whose investment objectives are considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

Wrap-Fee Program versus Portfolio Management Program

We offer services through both traditional and wrap-fee management programs. In traditional management programs, advisory services are provided for a fee, but transaction services are billed separately on a per-transaction basis. In wrap-fee programs, advisory services (including portfolio management or advice regarding selecting other investment advisors) and transaction services are provided for one fee. The Financial Advisors Program, Managed Opportunities Program and some of the Envestnet Programs (described in **Item 5, Fees and Compensation**) are wrap-fee programs. Whenever a fee is charged to a client for services described in this Disclosure Brochure (whether wrap-fee or non-wrap fee), we will receive all or a portion of the fee charged.

From a management perspective, there is not a fundamental difference in the way we manage traditional management accounts versus wrap-fee management accounts. The only significant difference is the way in which transaction services are paid.

Retirement Plan Rollover Recommendations

To the extent we recommend you roll over your account from a current retirement plan to an individual retirement account ("Rollover IRA"), managed by our firm please know that we and our investment adviser representatives have a conflict of interest.

Pinnacle Wealth Management and our investment adviser representatives can earn investment advisory fees by recommending that you roll over your account at the retirement plan to a Rollover IRA managed by our firm. However, we will not earn any investment advisory fees if you do not roll over the funds in the retirement plan to a Rollover IRA managed by our firm.

Thus, our investment adviser representatives have an economic incentive to recommend a rollover of funds from a retirement plan to a Rollover IRA which is a conflict of interest because our recommendation that you open an IRA account to be managed by our firm will be based, at least partially, on our economic incentive and not based exclusively on whether or not moving the IRA to our management program is in your overall best interest.

We have taken steps to manage this conflict of interest. We have adopted an impartial conduct standard whereby our investment adviser representatives will (i) provide investment advice to a retirement plan participant regarding a rollover of funds from the retirement plan in accordance with the fiduciary status described below, (ii) not recommend investments which result in Pinnacle Wealth Management receiving unreasonable compensation related to the rollover of funds from the retirement plan to a Rollover IRA, and (iii) fully disclose compensation received by Pinnacle Wealth Management and our supervised persons and any material conflicts of interest related to recommending the rollover of funds from the retirement plan to a Rollover IRA and refrain from making any materially misleading statements regarding such rollover.

To the extent we provide you investment advice as a participant in a retirement plan regarding whether to maintain investments and/or proceeds in the retirement plan, roll over such investment/proceeds from the retirement plan to a Rollover IRA or make a distribution from the retirement plan, Pinnacle Wealth Management hereby acknowledges our fiduciary obligations to you with regard to our investment advice about whether to maintain, roll over or distribute proceeds from the retirement plan, and as such a fiduciary with respect to its investment advice to you about whether to maintain, roll over or distribute proceeds from the retirement plan,

Our investment advisor representatives shall act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, based on the investment objectives, risk, tolerance, financial circumstances, and a client's needs, without regard to the financial or other interests of Pinnacle Wealth Management or our affiliated personnel.

Client Assets Managed by Pinnacle Wealth Management

The amount of client assets managed by Pinnacle Wealth Management totaled \$433,146,742.64 as of December 31, 2019, with \$431,919,190.03 managed on a discretionary basis and \$1,227,552.61 managed on a non-discretionary basis.

Item 5 – Fees and Compensation

In addition to the information provided in **Item 4, Advisory Business**, this section provides additional details regarding our services along with descriptions of each service's fees and compensation arrangements.

Retirement Plan Services

We offer investment advisor services relative to employee benefit plans subject to the *Employee Retirement Income Security Act of 1974*, as amended, and that are qualified under Section 401(a) of the *Internal Revenue Code of 1986*, as amended (the "plan"). The services may be both fiduciary and non-fiduciary in nature.

Retirement Plan Advisory Program

The following services are offered to retirement plan sponsors and to individual participants in retirement plans. Neither we nor our investment advisor representatives act as plan custodians. Qualified independent custodians maintain custody of all assets, funds and securities.

Non-Discretionary Fiduciary Services

- Assessment of Investments. Conduct an initial and/or periodic review of plan investments and investment options. The review includes, without limitation, investment performance, fund expenses and style drift for investments offered by the plan to participants; providing suggestions to the named fiduciary from time to time as Pinnacle Wealth Management deems warranted about other investment options for the plan to make available to participants (which decision remains the sole and exclusive decision of the named fiduciary and/or their delegate).
- Participant Investment Advice. Meet at least annually with plan participants to deliver investment advice based upon the plan participant's individual financial situation, investment objectives and tax status pursuant to the terms set forth in the executed client agreement that qualify for exemptive relief from the prohibited transaction rules provided under ERISA Section 408(b)(14) and (g). Pinnacle Wealth Management prepares recommendations regarding the appropriate amount of contributions and choice of investments, which the plan participant can implement at his or her sole discretion.

Pursuant to a separate agreement, Pinnacle Wealth Management can also provide comprehensive financial planning services (which can include but not necessarily be limited to: retirement planning, education planning, planning for major purchases, life and disability insurance needs, long-term care needs, and/or estate planning issues) to the plan participants if they so elect. Under the terms of that separate agreement, the plan participant can receive a written financial plan from Pinnacle Wealth Management that can include investment advice concerning the participant's plan assets as well as his or her assets held outside of the plan;

Pinnacle Wealth Management acknowledges that in performing the non-discretionary fiduciary services listed above it is acting as a "fiduciary" as such term is defined under Section 3(21)(A)(ii) of the *Employee Retirement Income Security Act of 1974* ("ERISA") for purposes of providing non-discretionary investment advice only. Pinnacle Wealth Management acts in a manner consistent with the requirements of a fiduciary under ERISA if, based upon the facts and circumstances, such services cause Pinnacle Wealth Management to be a fiduciary as a matter of law. However, in providing the fiduciary consulting services, Pinnacle Wealth Management (a) has no responsibility and does not (i) exercise any discretionary authority or discretionary control respecting management of your retirement plan, (ii) exercise any authority or control respecting management or disposition of assets of your retirement plan, or (iii) have any discretionary authority or discretionary responsibility in the administration of your retirement plan or the interpretation of your retirement plan documents, (b) is not an "investment manager" as defined in Section 3(38) of ERISA and does not have the power to manage, acquire or dispose of any plan assets and (c) is not the "Administrator" of your retirement plan as defined in ERISA.

Discretionary Fiduciary Services

- Default Investment Alternative Management. Pinnacle Wealth Management develops and actively manages qualified default investment alternative(s) ("QDIA"), as defined in Department of Labor ("DOL") Reg. Section 2550.404c-5(e)(4)(i), to allocate the assets of plan participant accounts to achieve varying degrees of long term appreciation and capital preservation through a mix of equity and fixed income exposures, offered through investment alternatives available under the plan, based upon the plan participants' age, target retirement date or life expectancy.

- Investment Manager to Plan. Pinnacle Wealth Management meets with the named fiduciary and/or their delegate to select approved asset classes and maintain model portfolios on a discretionary basis, including investing, rebalancing of assets, changing asset allocations or changing underlying model portfolios. Pinnacle Wealth Management recommends, maintains and periodically updates the list of mutual funds to the plan for inclusion as investment options available to plan participants. The named fiduciary appoints Pinnacle Wealth Management as an “investment manager” and Pinnacle Wealth Management acknowledges its status as “investment manager” for purposes of ERISA Section 3(38) to the extent it is providing discretionary advisory services. Pinnacle Wealth Management has full discretion over fund changes within the approved asset classes and communicates its decisions to the named fiduciary on a reasonable basis. Pinnacle Wealth Management exercises this authority in accordance with objectives set forth by the named fiduciary, as amended from time to time and in accordance with additional written guidelines and/or investment policies provided by named fiduciary. Otherwise, the named fiduciary must only approve changes to the asset classes. Unless otherwise directed by the named fiduciary, Pinnacle Wealth Management arranges for executing securities transactions for the plan through brokers or dealers that Pinnacle Wealth Management reasonably believes provide the best execution.

Non-Fiduciary Services

- Participant Education and Communication. Pinnacle Wealth Management conducts initial and/or periodic enrollment and informational meetings with plan participants and provides investment education. In accordance with the DOL’s Interpretative Bulletin 96-1, Pinnacle Wealth Management can provide plan participants with information about the plan, general financial and investment information and information and materials relating to asset allocation models available through the plan. Pinnacle Wealth Management can also provide plan participants with interactive investment materials to assist plan participants in assessing their future retirement income needs and the impact of different asset allocations on retirement income. Pinnacle Wealth Management does not render individualized investment advice to plan participants and will not be held to a fiduciary standard for services rendered hereunder.
- Strategic Planning and Investment Policy Services. Pinnacle Wealth Management meets with the named fiduciary to gather information regarding the plan’s investment policies and objectives and assists the named fiduciary in developing a written Investment Policy Statement (“IPS”). Any assistance will include using a template developed by a third-party. Alternatively, if the plan has an existing IPS, Pinnacle Wealth Management reviews the existing IPS and assists the named fiduciary in determining whether the plan is performing consistent with the IPS and/or whether the IPS needs to be revised, based on an analysis of the plan’s asset class and risk tolerance guidelines, liquidity requirements and performance goals of the plan, using information provided by the named fiduciary. Pinnacle Wealth Management does not render individualized investment advice to the plan for services rendered hereunder and will not be held to a fiduciary standard with respect to such services. The named fiduciary retains sole discretion to implement the objectives of the IPS and Pinnacle Wealth Management cannot guarantee that the plan will achieve its investment objectives.
- Plan Establishment/Conversion. Pinnacle Wealth Management assists the named fiduciary in researching and evaluating the plan sponsor’s needs to facilitate the named fiduciary’s selection of a well-suited plan. Pinnacle Wealth Management’s primary role is to present retirement plan providers which make the investment options available to the plan or deliver the investments on a platform and which can address services separately or which can offer bundled and integrated delivery of retirement plan support. Pinnacle Wealth Management assists the plan sponsor and/or named fiduciary in identifying different types of retirement plans, plan documents and other materials and services necessary to establish, maintain or convert a retirement plan. Pinnacle Wealth Management does not render individualized investment advice to the plan when providing these services and will not be held to a fiduciary standard with respect to any services rendered.

Pinnacle Wealth Management meets with the named fiduciary to assist with plan conversion to alternate vendors. Pinnacle Wealth Management can also assist in preparing Requests for Proposals (“RFPs”) from prospective new vendors and can assist the named fiduciary in reviewing and comparing responses to RFPs. Pinnacle Wealth Management does not render individualized investment advice to the plan for services rendered hereunder and will not be held to a fiduciary standard with respect to such services. The named fiduciary retains sole discretion as to whether to replace existing vendors and/or contract with new vendors.

- Plan Review. Pinnacle Wealth Management meets with the named fiduciary and conducts a review of the IPS and plan design and offers recommendations to the named fiduciary regarding plan operation and documentation. Pinnacle Wealth Management does not provide legal advice to the named fiduciary and the named fiduciary is encouraged to have legal counsel review all plan documentation. Pinnacle Wealth Management does not render individualized investment advice to the plan for services rendered hereunder and will not be held to a fiduciary standard with respect to such services.
- Plan Fee and Cost Review. Pinnacle Wealth Management meets with the named fiduciary and conducts a periodic review, using a third-party tool, of fees and costs charged to plan by other service providers to assist the named fiduciary in discharging its duty to monitor the reasonableness of fees and costs paid by the plan. Pinnacle Wealth Management does not render individualized investment advice to the plan for services rendered hereunder and will not be held to a fiduciary standard with respect to such services.
- Third Party Service Provider Liaison. Pinnacle Wealth Management acts as liaison for the plan and the named fiduciary, on an as needed basis, when dealing with the trustee, custodian, plan actuary, tax, legal, accounting or other third-party service providers to plan. Pinnacle Wealth Management does not render individualized investment advice to the plan for services rendered hereunder and will not be held to a fiduciary standard with respect to such services. The named fiduciary retains sole discretion as to whether to hire and/or terminate such third-party providers.

Fees charged for these services are negotiated with each plan based on the complexity of the plan, the services to be provided, the investment advisor representative providing the services and the nature and total dollar value of the plan assets. The maximum management fee is 1.50% annually and the exact fee is disclosed to you prior to services being provided. Related retirement services accounts can be bundled in order to receive a lower fee charge. Account bundling can only be done on accounts with the same fee schedule, within the same immediate family or under the same qualified plan. When accounts are bundled, the total average daily balance for all of the bundled accounts is used to determine the fee and this percentage is applied to each account respectively. The Plan’s recordkeeper or platform provider is responsible for calculating and collecting our investment advisor fee.

Fees are calculated in arrears based on the billing period ending balance or in advance based on the value at the end of the previous billing period. Actual payment for services provided is outlined in the client agreement. All fees and charges are noted on the plan’s account statements. The plan sponsor is responsible for verifying the accuracy of the fee calculation.

If services are terminated within five business days of signing the client agreement, services are terminated without penalty. Retirement plan services can be terminated by either party upon 60 days written notice to the other party. Any services in progress are completed in the normal course of business. Fees are prorated based on the number of days services are provided. If fees are billed in advance, any prepaid, unearned fees are refunded based on the number of days remaining in the period after the termination date. If fees are billed in arrears, you are either billed for the prorated amount due or the prorated fee is deducted from your account.

Pinnacle Wealth Management Retirement Services Program

In addition to the above services offered through the Retirement Plan Advisory Program, we also offer the following:

Fiduciary Consulting Services

- **Consulting and Monitoring.** Investment adviser representatives meet with you (in person or by telephone) to determine your investment needs and goals. They then prepare a written Investment Policy Statement (“IPS”) stating those needs and goals and describing a policy under which the goals can be pursued. The IPS also lists the criteria for selecting investment vehicles and the procedures and timing interval for monitoring investment performance.

The investment advisor representatives review the various investments available to you, consisting exclusively of exchange traded funds, collective investment funds and mutual funds (both index and actively managed) to determine which of these investments are appropriate to implement your IPS. The number of investments recommended, and formation of model portfolios is determined by you, based on the IPS.

Your investments are monitored continuously based on the procedures and timing intervals delineated in the IPS. Pinnacle Wealth Management is not involved in any way in the purchase or sale of these investments. Pinnacle Wealth Management makes recommendations to you as market factors and plan needs dictate. You have the ultimate authority and responsibility to implement the recommendations and model portfolios made and prepared by us.

Fees for Consulting and Monitoring are charged on a negotiable fixed fee basis ranging from \$2,000 to \$45,000 annually, based on your situation and the complexity of the services provided. The annual fixed fee is billed quarterly, either in advance or arrears, as you elect. Quarterly fees are calculated by dividing the annual fee by four (4). The initial annual fixed fee is determined at the beginning of the relationship and will be re-evaluated and adjusted once every 12 months.

You can also elect to have fees deducted from an account or billed directly to you and due upon receiving a billing notice from Pinnacle Wealth Management.

Consulting and monitoring services can be terminated by either party upon written notice of the other party. If services are terminated within five business days of executing the agreement for services, services are terminated without penalty. If fees are paid in advance, any prepaid but unearned fees are promptly refunded upon notice of termination. If fees are paid in arrears, fees for the final period are prorated based the number of days services were provided in the final period and billed to you.

Non-Fiduciary Services

- **Employee Communications.** Pinnacle Wealth Management also offers educational support and workshops designed for plan participants exercising control over assets in their account. Pinnacle Wealth Management and plan sponsor jointly determine the nature of the topics to be covered under guidelines established in ERISA Section 404(c). Educational support and workshops can deal with any of the following topics:
 - Financial position (e.g., net worth, cash flow, mortgage strategies)
 - Risk management (e.g., assessing protection in the event of premature death)
 - Investment planning (e.g., risk and return principles, time value of investing)
 - Tax planning (e.g., pretax deferral versus after tax investing)
 - Retirement planning (e.g., retirement goals as affected by taxes, inflation and social security)
 - Estate planning (e.g., general understanding of wills, powers of attorney and estate settlement issues)

Educational support and workshops are not intended to and do not address the individual investment needs of a particular client or a particular plan participant. Plan participants should consult with their own financial, tax or legal advisers to determine an appropriate personalized investment plan after considering, among other factors, their individual investment objectives, risk tolerance and overall financial condition.

Fees for Employee Communications are charged at an hourly rate of up to \$300 per hour plus out of pocket and travel expenses. Fees are charged in arrears and the hourly rate is negotiable depending on the group size and the number of workshops or programs scheduled for the employees.

Either party can terminate employee communication services by providing written notice to the other party. If services are terminated within five business days of executing an agreement for services, services are terminated without penalty. Fees are prorated based on the agreed upon hourly rate multiplied by the hours expended to date of termination plus any expenses incurred to date of termination. Advisor provides a detailed billing statement that is due upon receipt.

- Fiduciary Review Program. Pinnacle Wealth Management provides a written document to retirement plan sponsors outlining deficient areas in their responsibilities and obligations as fiduciaries to retirement plans. Our investment advisor representatives meet with you to conduct a fact-finding process involving a series of discussion questions. You need to supply us with various documents that we use during the review process. A second meeting is held to conduct a discussion about the results of our analysis. We provide you with a written document outlining questionnaire results and commentary in areas that are deficient.

Pinnacle Wealth Management does not provide investment recommendations for the retirement plan; fiduciary review services are aimed solely at uncovering and identifying weaknesses and deficiencies of the fiduciary's administrative, regulatory and procedural obligations. Our report does not provide specific solutions to correct problems; however, it does provide a set of best practices the fiduciary can choose to implement in order to correct any weaknesses and improve the plan. Pinnacle Wealth Management does not provide any legal opinions about the status of retirement plans, nor assumes the role of fiduciary with respect to the investments made in retirement plans.

Pinnacle Wealth Management can use the services of outside consultants, such as accounting firms and law firms, to help with performing the review and preparing the report. If an outside firm is used, we provide disclosure to you and you must provide permission to share information.

Fees for the Fiduciary Review Program are charged on a negotiable fixed fee basis ranging from \$2,000 to \$20,000, based on your situation and the complexity of the review and services provided. You must sign our agreement for services before services are provided. The entire fee is due upon presentation of the review document.

Fiduciary review services terminate upon presentation of the review document and all fees being paid. Any party can terminate services within five business days of entering into an agreement with no penalty. If services are terminated after the initial five-day period, you will be charged for the time spent and services provided up to the time of termination unless your investment adviser representative decides to waive the fee. Prorated fixed fees are calculated on the hours expended multiplied by \$250 per hour.

Additional Information

Pinnacle Wealth Management discloses to you, to the extent required by ERISA Regulation Section 2550.408b-2(c), any change to the information that we are required to disclose under ERISA Regulation Section 2550.408b-2(c)(1)(iv) as soon as practicable, but no later than sixty (60) days from the date on which we are informed of the change (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable).

In accordance with ERISA Regulation Section 2550.408b-2(c)(vi)(A), we will disclose within thirty (30) days following receipt of a written request from the responsible plan fiduciary or plan administrator (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable) all information related to the Qualified Retirement Plan Agreement and any compensation or fees received in connection with the Agreement that is required for the plan to comply with the reporting and disclosure requirements of Title 1 of ERISA and the regulations, forms and schedules issued thereunder.

If we make an unintentional error or omission in disclosing the information required under ERISA Regulation Section 2550.408b-2(c)(1)(iv) or (vi), we will disclose to you the correct information as soon as practicable, but no later than thirty (30) days from the date on which we learn of such error or omission.

Financial Planning Services

In general, our financial planning services address any or all of the following areas:

- **Personal:** Family records, budgeting, personal liability, estate information and financial goals.
- **Tax and Cash Flow:** Income tax and spending analysis and planning for past, current and future years. We illustrate the impact of various investments on your current income tax and future tax liability.
- **Death and Disability:** Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis. This service is provided free of charge in states where statutory prohibitions exist against receiving compensation.
- **Retirement:** Analysis of current strategies and investment plans to help you achieve your retirement goals.
- **Investments:** Analysis of investment alternatives and their effect on your portfolio.
- **Insurance:** Analysis of insurance needs and current policies. This service is provided to individuals, businesses and those acting in a fiduciary capacity.

Financial Plans

You can contract for either a comprehensive or a segmented written financial plan designed to help you pursue your stated financial goals and objectives. Our investment advisor representatives gather required information through in-depth personal interviews. Information gathered includes your current financial status, future goals and attitudes toward risk. We rely on the information provided by you. Therefore, it is very important that the information you provide is complete and accurate. We are not responsible for verifying the information supplied by you.

After completing a review and analysis of the information and documents received, our investment advisor representatives develop their analyses and recommendations and present either a comprehensive or segmented written financial plan. A comprehensive plan focuses on your overall financial situation and covers several of the areas previously noted, as needed by your specific situation. A segmented plan focuses only on one or more specific area(s) of concern, and you should be aware that other important issues will not be taken into consideration when our investment advisor representatives develop their analyses and recommendations. Financial planning recommendations are of a generic nature and do not generally involve the recommendation of specific investment products. Recommendations are not limited to any specific product or service offered by a broker/dealer or insurance company. Our services do not include legal or tax advice. You are also urged to work closely with your attorney, accountant or other professionals regarding your financial and personal situation.

Fees for financial plans can be charged on either a fixed or hourly basis. Fixed fees range from \$500 to \$5,000, depending upon the specific services requested and the nature and complexity of your circumstances. Hourly fees range from \$100 to \$250 per hour, depending upon the nature and complexity of your circumstances. At the start of the advisory relationship, we provide you with an

estimate of the total hours needed to complete the requested services. You are charged the actual hours worked by our investment advisor representatives. All fees charged are due in-arrears upon completion of the service.

Financial planning services terminate upon presentation of the financial plan. Prior to presentation of the plan, any party can terminate services by providing written notice to the other and termination is effective immediately. If services are terminated within five business days of signing the client agreement, they are terminated without penalty. You are responsible for the time expended by our investment advisor representatives to the date of termination. We provide you with a billing statement detailing the charges and fees due.

Limited Consultations

If you do not wish to contract for a financial plan, you can receive investment advice from us through consultations on any specific topic(s) of interest to you. Depending on your needs and wishes, these consultations can involve more than one meeting. No written plan is provided with limited consultations.

Fees for limited consultations can be charged on either a fixed or hourly basis. Fixed fees range from \$500 to \$5,000, depending upon the specific services requested and the nature and complexity of your circumstances. Hourly fees range from \$100 to \$250 per hour, depending upon the nature and complexity of your circumstances as well as the investment advisor representative performing the work. An estimate of the total hours needed to complete the requested services is provided to you at the start of the advisory relationship. You are charged the actual hours worked by our investment advisor representative. All fees charged are due in-arrears upon completion of the service.

Limited consultation services terminate upon completion of the requested services. Any party can terminate services at any time by providing written notice to the other and termination is effective immediately. If services are terminated within five business days of signing the client agreement, they are terminated without penalty. You are responsible for the time expended by our investment advisor representatives to the date of termination. We provide you with a billing statement detailing the charges and fees due.

Wealth Management Services

We offer wealth management services to those clients who desire a more comprehensive process and greater involvement by their investment advisor representative(s). If you contract for wealth management services, you also have accounts managed by us and/or accounts at third party money managers that are being monitored by us and we are receiving management and/or solicitor/referral fees for these accounts. Wealth management services can include, but are not limited to:

- A comprehensive or segmented written financial plan, including an action plan covering a specified time period. The plan is reviewed and updated as needed pursuant to two meetings scheduled by our investment advisor representatives and any request from you.
- A review and analysis of your portfolio assets (if any) that is not managed or previously advised upon by us.
- An insurance analysis.
- A tax analysis. This analysis can include participation in meetings with you and your accounting consultants or, with your permission, a one-on-one meeting with an accounting consultant concerning your financial situation.
- A review of legal documents (e.g., wills, trusts) as a part of your overall current situation, financial goals and investment needs.

There is a minimum fixed fee of \$10,000 per year for wealth management services and you are informed of the fee prior to any services being provided. In addition to the fee charged by us, you will incur charges imposed by other third parties in connection with investments made in your managed/monitored

accounts. These charges can include, but are not limited to, transaction fees, mutual fund fees and expenses, surrender charges, variable annuity commissions and surrender charges, and IRA and qualified retirement plan fees. Fees are negotiable based upon the amount of funds already invested by you through us, anticipated future deposits to new or existing accounts and whether you are a referral from an existing advisory client or affiliated with an existing advisory client.

Wealth management services are provided for a one-year period and fees are reconciled at the end of that year. If your accounts already managed/monitored by us generated ongoing fees equal to the minimum \$10,000 fee during that one-year period, no additional fees are due from you. If the ongoing fees generated are less than the minimum \$10,000, then you are billed for the difference between the fees generated and the fee quoted for wealth management services. In this case, we provide you with a billing statement detailing the quoted fee, ongoing fees received and amount due within 30 days of receiving our statement.

If you contract for wealth management services, you receive one year of ongoing services which are renewed automatically each year on the anniversary date of signing the original client agreement, unless terminated sooner by either party. If the fees for wealth management services change at the anniversary date, a new client agreement is required.

Either party can terminate wealth management services at any time by submitting written notice to the other, and termination is effective upon receiving the notice. If services are terminated within five business days of signing the original client agreement, services are terminated without penalty. After the initial five business days, you are responsible for the time expended by our investment advisor representatives prior to receiving the termination notice. This is calculated by (1) taking the product of the quoted fixed fee divided by 365, (2) multiplying this by the number of days elapsed from the original client agreement being signed or the one-year anniversary date to the date of effective termination. If the fee due for prorated wealth management services is more than the ongoing fees already generated by the managed/monitored accounts during the same period, you are responsible for the difference. We provide you with a statement detailing the wealth management fees payable, the managed/monitored fees already earned and the amount remaining due.

Asset Management Services

Some of our clients elect to engage us to provide fee-based asset management services where we are solely responsible for making all investment recommendations and also for making changes to the managed account. If you elect to engage us for this service, we will develop an individualized investment program for your account(s). We provide various investment strategies through our management services; a specific investment strategy and investment policy is crafted for you and focuses on your specific goals and objectives. Asset management services are separate from and in addition to the financial planning services previously discussed.

To provide these services, we need to obtain certain information from you to determine your financial situation and investment objectives. At least quarterly, you are reminded to notify us whether your financial situation or investment objectives have changed or if you want to impose and/or modify any reasonable restrictions on management of your accounts. At least annually, we contact you to determine whether your financial situation or investment objectives have changed, or if you want to impose and/or modify any reasonable restrictions on your managed accounts. We are always reasonably available to consult with you relative to the status of your accounts. You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct us not to purchase certain securities. Your beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account. A separate account is maintained for you with the custodian and you retain right of ownership of the account (e.g., the right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations).

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

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

Financial Advisors Program

We also provide asset management services through the Financial Advisors Program ("FAP") offered and sponsored by Securities America Advisors, Inc. ("SAA"), an investment advisor registered with the Securities and Exchange Commission. FAP is a wrap-fee program providing investment advisory services and execution of client transactions and the specified fees are not based directly on transactions in your account. Under FAP, we assist you in establishing one or more FAP accounts with SAA. We require a minimum of \$25,000 to establish and maintain an FAP account unless an exception is granted by your investment adviser representative. All brokerage transactions are processed by Securities America, Inc. ("SAI"), the affiliated broker/dealer of SAA, and cleared through National Financial Services, LLC ("NFS") pursuant to a clearing arrangement established by SAI with NFS. Neither we nor our investment advisor representatives act as custodian of your account or have direct access to your funds and/or securities.

SAA has also entered into agreements with various insurance companies that allow for the management and valuation of client variable annuity accounts within SAA's FAP. NFS, insurance companies or other custodians maintain physical custody of all funds and securities. Please see **Item 15, Custody**, for additional information. Our investment advisor representatives implement securities transactions for FAP accounts in their separate capacities as registered representatives of SAI. See, **Additional Compensation**, below.

The annual management fee is negotiable, with 1.50% being the maximum charged. When determining the fee charged, we consider the amount of assets being managed, our overall relationship with you and your household and the source of any referrals. SAA retains 7 basis points (0.07%) of the annual management fee for FAP accounts with the remainder paid to us. SAA is responsible for collecting all fees paid by you through FAP and will journal our portion of the advisory fee to us. Please note that our fees can be higher than fees charged by other financial professionals providing similar services.

We invest a portion of your assets in mutual funds, exchange traded funds (ETFs) or variable annuities and charge an investment management fee on your assets invested in these securities. Therefore, you pay two levels of fees for management of your assets: one directly to us and one indirectly to the managers of the mutual funds, ETFs or variable annuities held in your portfolios. Please read the additional details under the **Additional Compensation** header of this Item 5.

A complete description of FAP related fees, charges, when due and termination procedures are described in the FAP Disclosure Brochure Appendix (Wrap Fee Program Brochure) prepared by SAA and which is given to you prior to or at the time an FAP account is established.

Although FAP is a wrap-fee program, is the policy of Pinnacle Wealth Management to open all FAP accounts on a non-wrap basis. This means the fees and expenses incurred to implement brokerage transactions in your account will be billed directly to your account and are not included (i.e. bundled) into the overall asset management fee as a wrap-fee. Although it is our policy to open all FAP accounts on a

non-wrap fee basis, we do on occasion and in very limited exceptions manage accounts on a wrap-fee basis.

Managed Opportunities Program

We have established a relationship with SAA to participate in its Managed Opportunities Program (“Managed Opportunities”). Managed Opportunities is a wrap fee program developed by SAA that provides clients with the opportunity to establish mutual fund portfolios, separate account portfolios and unified managed account portfolios developed by third party money managers who are registered as investment advisors (collectively referred to as sub-advisors).

Through Managed Opportunities, we act as a referral party when referring you into the mutual fund portfolios, separate account portfolios and unified managed account portfolios options in Managed Opportunities. In addition, SAA’s Managed Opportunities receives administrative, web site, transaction order entry services and other services from Envestnet, Inc. (“Envestnet”), a registered investment advisor, and other sub-advisors.

Managed Opportunities offers us directed portfolios through which we can work and advise you in selecting investments constituting a portion of Managed Opportunities. Your portfolio will be managed by SAA or other sub-advisors that SAA has established relationships with. You grant SAA and the sub-advisors limited discretionary authority with respect to the purchase and sale of securities in mutual fund portfolios, separate account portfolios and unified managed account portfolios and also grant us discretionary authority with respect to the initial Managed Opportunities master account and advisor directed portfolios. This authority allows us to use managers and products available under the approved platform selections.

We do not refer you to SAA unless SAA and the sub-advisors are registered or are exempt from registration as investment advisors in your state of residence. You grant SAA the discretionary authority to select one or more sub-advisors to provide administrative, web site, performance reporting, transaction order entry and other services to SAA and clients. SAA currently has a relationship with Envestnet to provide these services. Clients establishing Managed Opportunities accounts receive Envestnet’s Disclosure Brochure in addition to SAA’s Disclosure Brochure.

We are always responsible for assisting you with identifying your risk tolerance and investment objectives and are available to meet with you on a continuous basis. We recommend managers and help determine appropriate investment strategies in relation to your stated investment objectives and risk tolerance. Although the third-party investment managers are responsible for making all investment decisions, we are available to answer questions you may have regarding your account and act as the communication conduit between you and the investment manager.

Although we review the performance of numerous third-party investment managers, we are only able to select the investment managers approved by SAA and thus available on the Managed Opportunities platform. Therefore, we have a conflict of interest because we do not recommend third-party investment managers to you if the investment manager is not available through Managed Opportunities.

Fees do not exceed 1.50% annually for advisor directed accounts. Fees are billed monthly in advance. SAA is responsible for collecting all fees paid by you through these programs and then journaling our portion of the advisory fees to us.

You should be aware that we are paid solicitor/referral fees by SAA for recommending mutual fund portfolios, separate account portfolios and unified managed account portfolios. SAA also shares fees with the sub-advisors.

Trading by Managed Opportunities money managers can trigger wash sale rule implications. SAA does not manage accounts in the Managed Opportunities in a way to avoid wash sale implications. You are

encouraged to consult with a tax advisor to discuss any tax implications involving your portfolios in Managed Opportunities.

A complete description of Managed Opportunities and related fees, charges, when due and termination procedures are described in SAA's Managed Opportunities Disclosure Brochure Appendices (Wrap Fee Program Brochure) which you receive at or prior to the time a Managed Opportunities account is established.

You are advised that there are other third-party managed programs, not recommended by us, that are suitable for you and that can be more or less costly than arrangements recommended by us. No guarantees can be made that your financial goals or objectives will be achieved by a third-party investment advisor recommended by us. Further, no guarantees of performance can ever be offered by us.

Investnet (formerly known as FundQuest) Investment Programs

The following is intended for Pinnacle Wealth Management clients with existing Investnet accounts. The program is no longer available to new accounts through Pinnacle Wealth Management.

We have established a relationship with a registered investment advisor, Investnet Portfolio Solutions, Inc. ("Investnet") which was formerly FundQuest Incorporated, to participate in their Wealth Management Program offering a variety of wrap-fee managed programs that we can use when you want to contract for management of your investment portfolio. We have established a relationship with Investnet through which we utilize the Discretionary Manager Program, Sub-Account Manager Discretionary Program and Adviser Firm Managed Program.

We have you complete a client profiling questionnaire containing a variety of financial and personal data, including investment goals, income requirements, time horizon and risk tolerance. We perform an analysis of this data and generate an investment strategy report that includes an asset allocation strategy for you. We and our investment advisor representatives work with Investnet to determine the appropriate investment profile, time horizon and risk tolerance and agree upon an appropriate asset allocation. We periodically communicate with you to determine whether the initial investment strategy should be modified or continued and whether individual circumstances or market conditions warrant any changes in asset allocation, tax sensitivity or risk tolerance. The sub-account manager(s) can be changed by you or by us as a result of this review (if applicable).

SAA and SAI provide us with back office, execution and administrative services. Our investment advisor representatives can also be registered representatives of SAI and such support services are provided to us a result of this relationship. Neither we, Investnet, SAA or SAI maintain custody of your assets. NFS maintains custody through a relationship that it has established with SAI.

We use the following program(s):

Discretionary Manager Program

Upon analyzing your personal and financial information, we assist you in determining the Investnet Model Portfolio(s) to be used. Investnet is responsible for providing discretionary investment advisory services using its asset allocation methods within the Model Portfolios consisting of mutual funds. Investnet makes a number of investments that it determines are appropriate risk-adjusted choices for your individual needs. Investnet periodically monitors your portfolio and, when deemed appropriate, makes changes in both asset allocations and specific security selection. You can impose reasonable restrictions regarding management of your assets.

Sub-Account Manager Discretionary Program

Investnet has pre-selected a group of sub-account managers who are available to provide discretionary investment advisory services through the Sub-Account Discretionary Program. After analyzing your personal and financial information, we select the appropriate sub-account manager(s) who is responsible for managing all or a portion of the assets in your managed account. You can impose reasonable restrictions regarding management of your assets. Sub-account managers are pre-screened by Investnet for a variety of different asset classes. This allows the opportunity to provide diversification specifically tailored to your specific investment objectives. Investnet may also be one of the money managers in this Program responsible for managing a portion of your assets. Investnet has discretionary authority to hire and fire sub-account managers within the program. In addition, we may have discretionary authority to hire and fire sub-account managers within the client's managed account.

PWM Managed Program

When providing investment advisory services through this program, we are responsible for managing your assets through the Program. We manage assets on a discretionary basis and you can impose reasonable restrictions regarding the management of your assets. After analyzing your personal and financial information, our investment advisor representatives work with Investnet and you to develop an asset allocation based on your investment profile. We are responsible for performing periodic reviews and communicate with you to determine whether the initial investment strategy should be modified or maintained and whether individual circumstances or market conditions warrant any changes in asset allocation, tax sensitivity or risk tolerance.

Accounts are subject to an Investnet platform fee, transaction fees and advisor fees. The total annual management fees charged by us, Investnet, and the sub-account managers (if applicable) can be negotiated with each client, with 3% being the maximum management fee that will be charged, unless the account only has mutual funds and then the maximum is 2.25%. For our services, we receive a maximum of 50% of the fee charged to you (which is 1.5% of your managed assets).

In addition, if a sub-account manager is used, the sub-account manager charges an investment management fee in addition to our fee, typically .25% to 1%. Investnet charges an annual platform fee of up to .20% for all assets managed by Investnet, us or sub-account managers. The platform fee is subject to a minimum of \$380 annually. SAA will retain a portion of this fee for the administrative and back office support services provided to us. Fees are determined based on the size of the account, the level of service provided to you and the complexity of your financial situation. However, any number of accounts for your benefit and your family members for assets managed by sub-account managers and us can be linked together to meet a platform fee breakpoint, in accordance with your directives. The Investnet platform fee is separate from the asset management fees charged by us or sub-account managers.

SAI/SAA also charge fees for execution/clearing and custody services, collectively referred to as transaction fees. If your account is managed by Investnet in model portfolios, there are generally no transaction fees. However, a flat fee of \$200 can be charged for the cost of sale transactions for non-cash assets placed in Sub-Account Manager Discretionary Program client accounts that require initial sale prior to being invested for management.

In our managed accounts, transaction fees are charged based on the transactions implemented in your account. These costs are charged according to SAI's standard ticket charge schedule and are charged to our investment advisor representative on the account who will then pass these fees on to you at his or her discretion.

If your account is managed by a sub-account manager, transaction fees are based on the amount and type of assets being managed and the frequency of trades being implemented in the account. The maximum amount of this fee is .35%. The fee mix is slightly different for each program option previously

described based on the work to be completed by the parties involved in the management, the size of the account and the complexity of your situation and investment objectives. All fees are disclosed to you in the client services agreement prior to services being provided.

Complete details regarding all Envestnet Programs, as well as any fees related to these programs, are disclosed in Envestnet's disclosure document and the client services agreement. When utilizing any of the Envestnet Programs, you receive a copy of Envestnet's disclosure document and our disclosure document prior to services being provided. In addition, if any sub-account managers are used to manage your assets, a copy of the disclosure document for each sub-account manager is provided to you. You should review these documents carefully in order to fully understand the services that are provided, and the costs involved in receiving services through these programs.

Additional Compensation

You have sole discretion about whether or not to contract for our services. In addition, you have sole discretion about whether or not to implement any recommendations made by our investment advisor representatives. If you do decide to implement recommendations without our assistance, you are responsible for taking any actions or implementing any transactions required. In that situation, you are free to select any broker/dealer and/or insurance agent to implement our recommendations.

You should be aware that our investment advisor representatives are also registered representatives of Securities America, Inc., a registered broker/dealer and member of FINRA/SIPC. In this separate capacity, they receive commissions for selling securities products. This is a conflict of interest because their investment recommendations are influenced by their receipt of commissions and not based exclusively on your individual interest to receive the most objective advice possible.

As a registered representative, they can sell mutual funds and receive 12b-1 fees in addition to commissions. The 12b-1 fees, named after a section of the Investment Company Act of 1940, are annual marketing or distribution fees and considered an operational or administrative expense. The fees are included as a part of the mutual fund's total expense ratio and paid from fund assets. Therefore, the fees come indirectly from your account. Every mutual fund prospectus includes a description of the fund's fees and expenses. Receiving 12b-1 fees represents an incentive for a registered representative to recommend funds with 12b-1 fees or with higher 12b-1 fees than funds with no fees or lower fees. This is also a conflict of interest.

To control for this conflict of interest, it is the policy of Pinnacle Wealth Management to never purchase 12b-1 paying mutual funds or other mutual funds that pay sales-loads and other similar-type commissions in the fee-based, investment adviser accounts through our Asset Management Services program accounts. This policy applies to qualified retirement plan-type accounts and traditional, non-retirement/non-qualified accounts.

Moreover, when managing accounts through our Asset Management Services program it is the policy of Pinnacle Wealth Management to select the overall lowest-expense mutual fund share class available to our firm. What this means is there is the chance that an alternative mutual fund share class is offered by the mutual fund sponsor company, but we cannot purchase it for our clients because we are limited to purchasing mutual funds only available through SAI and not every single mutual fund and every single mutual fund share class is available through SAI and its clearing broker/dealer platforms. So, although we conduct best execution analysis to select the lowest share class available, we are limited to mutual funds available only through SAI.

The only time a 12b-1 paying mutual fund or other mutual fund that pays a distribution, marketing or sales fee will be held in a client account managed by our firm is when the account is first opened with us and we have not yet transferred the fund out of your account or you make an explicit written request to retain the mutual fund in your account. To the extent you own a 12b-1 paying mutual fund or other mutual funds that pay a distribution, marketing or sales fee, please know that no one at Pinnacle Wealth Management will receive that fee. However, such fees and expenses are retained by SAI in their capacity as your

account broker/dealer. SAI does not incentivize us or otherwise try to influence us to pick investments that pay them a 12b-1, distribution, marketing, sales or other fees and expenses.

We are a wholly owned subsidiary of Pinnacle Financial Advisors, LLC (“PFA”), an insurance agency licensed in the state of Ohio. Some of our investment advisor representatives are also the owners of PFA and can receive compensation in the form of profits from PFA. In addition, some of our investment advisor representatives are also independently licensed to sell insurance products through various insurance companies. When acting in this capacity, they receive fees or commissions for selling these products. You are under no obligation to direct insurance transactions to PFA or to insurance companies with which our investment advisor representatives are licensed. Suitable insurance and investment products are available from other companies. This is a conflict of interest, since any commissions earned will be in addition to advisory fees earned in their capacity as an investment advisor representative.

Please see **Item 10, Other Financial Activities and Affiliations**, and **Item 12, Brokerage Practices**, for additional discussion on these conflicts of interest.

From time to time, we receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made. Both we and our investment advisor representatives endeavor at all times to put your interests first as a part of our fiduciary duty. However, you should be aware that receiving additional compensation through nominal sales awards, expense reimbursements, etc. creates a conflict of interest that can impact the judgment of our investment advisor representatives when making advisory recommendations. As a fiduciary, it is our goal to overcome any such influences and make investment recommendations based on each client’s overall investment interest.

Comparable Services

We believe our fees for advisory services are reasonable with respect to the services provided and the fees charged by other investment advisors offering similar services. However, lower fees for comparable services may be available from other sources.

The amount of compensation we receive in a particular program can be more than would be received if you participated in other programs or paid separately for investment advice, brokerage and other services. Consider the following factors when determining the reasonableness of advisory fees charged:

- The fee charged for developing an asset allocation study and/or developing an investment strategy
- Transaction and custody costs or other miscellaneous fees and taxes and/or charges, as well as commissions or mark ups and mark downs, on the purchase and/or sale of securities
- The cost of producing a quarterly performance report covering managed assets
- The value of the consulting service provided by Pinnacle Wealth Management in designing and monitoring your managed assets
- The cost of investment advice provided by SAA and Pinnacle Wealth Management
- The cost of the additional administrative, marketing, asset management, and other support services provided by SAA and (when applicable) any sub-advisors used in managing a program account

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

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. We do not receive performance-based fees.

Item 7 – Types of Clients

We generally provide investment advice to:

- Individuals (including high-net worth individuals)
- Pension and profit sharing plans and 401(k) plans and 403(b) plans
- Trusts, estates or charitable organizations
- Corporations or business entities other than those listed above

Minimum Investment Amounts Required

There is a minimum fee of \$10,000 per year for wealth management services.

There is a \$25,000 minimum required to establish and maintain an FAP account, although an exception can be granted to this minimum at our discretion.

As a general rule, the minimum Plan size that will be accepted into the Retirement Plan Advisory Program is \$1,000,000. Smaller Plans are accepted on an exception basis; exceptions can be granted to this minimum upon request and our approval.

As a general rule, SAA requires a minimum of \$50,000 to establish and maintain Managed Opportunities mutual fund portfolios, \$100,000 for separate account portfolios, \$150,000 for multi asset class portfolios and \$50,000 for Pinnacle Wealth Management directed portfolios.

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

Methods of Analysis

We use fundamental, technical, charting and cyclical analysis when considering investment strategies and recommendations for clients.

Fundamental

Fundamental analysis is a method of evaluating a company or security by attempting to measure its intrinsic value. In other words, fundamental analysts try to determine its true value by looking at all aspects of the business, including both tangible factors (e.g., machinery, buildings, land, etc.) and intangible factors (e.g., patents, trademarks, "brand" names, etc.). Fundamental analysis also involves examining related economic factors (e.g., overall economy and industry conditions, etc.), financial factors (e.g., company debt, interest rates, management salaries and bonuses, etc.), qualitative factors (e.g., management expertise, industry cycles, labor relations, etc.), and quantitative factors (e.g., debt-to-equity and price-to-equity ratios).

The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

Technical

This method of evaluating securities analyzes statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Charting

Charting is a technical analysis that charts the patterns of stocks, bonds and commodities to help determine buy and sell recommendations for clients. It is a way of gathering and processing price and volume information in a security by applying mathematical equations and plotting the resulting data onto graphs in order to predict future price movements. A graphical historical record assists the analyst in spotting the effect of key events on a security's price, its performance over a period of time and whether it is trading near its high, near its low or in between. Chartists believe that recurring patterns of trading, commonly referred to as indicators, can help them forecast future price movements.

Cyclical

Cyclical analysis looks at recurring periods of expansion and contraction that can impact a company's profitability and cash flow. Cyclical stocks tend to rise quickly when the economy turns up and fall quickly when the economy turns down (i.e., housing, automobiles, telecommunications, paper, etc.). Non-cyclical industries (i.e., food, insurance, drugs, health care, etc.) are not as directly impacted by economic changes.

Investment Strategies

We use the following investment strategies when implementing advice given to clients:

- Long term purchases (securities held at least a year)
- Short term purchases (securities sold within a year)
- Short sales
- Margin transactions (Investor pays for part of the purchase and borrows the rest from a brokerage firm; e.g., investor buys \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from Pinnacle Wealth Management, our affiliated companies or our personnel.)
- Option writing (Including covered options, uncovered options or spreading strategies.) (Note: options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.)

We gather information from financial newspapers and magazines, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses and filings with the Securities and Exchange Commission and company press releases.

Risk of Loss

Investing in securities involves a risk of loss that you should be prepared to bear, including loss of your original principal. However, you should be aware that past performance of any security is not necessarily indicative of future results. Therefore, you should not assume that future performance of any specific investment or investment strategy will be profitable. We do not provide any representation or guarantee that your goals will be achieved. Further, depending on the different types of investments, there are varying degrees of risk:

- Market Risk. Either the market as a whole, or the value of an individual company, goes down, resulting in a decrease in the value of client investments. This is referred to as systemic risk.

- Equity (Stock) Market Risk. Common stocks are susceptible to fluctuations and to volatile increases/decreases in value as their issuers' confidence in or perceptions of the market change. Investors holding common stock (or common stock equivalents) of any issuer are generally exposed to greater risk than if they hold preferred stock or debt obligations of the issuer.
- Company Risk. There is always a certain level of company or industry specific risk when investing in stock positions. This is referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that a company may perform poorly or that its value may be reduced based on factors specific to it or its industry (e.g., employee strike, unfavorable media attention).
- Options Risk. Options on securities may be subject to greater fluctuations in value than investing in the underlying securities. Purchasing and writing put or call options are highly specialized activities and involve greater than ordinary investment risk. Puts and calls are the right to sell or buy a specified amount of an underlying asset at a set price within a set time.
- Fixed Income Risk. Investing in bonds involves the risk that the issuer will default on the bond and be unable to make payments. In addition, individuals depending on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- ETF and Mutual Fund Risk. ETF and mutual fund investments bear additional expenses based on a pro-rata share of operating expenses, including potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities held by the ETF or mutual fund. Clients also incur brokerage costs when purchasing ETFs.
- Management Risk. Your investments also vary with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our strategies do not produce the expected returns, the value of your investments will decrease.

When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you borrow part of the purchase price, then you are engaging in margin transactions and there is risk involved with this. The securities held in your margin account are collateral for the custodian or clearing firm that loaned you the money. If those securities decline in value, then the value of the collateral supporting your loan also declines. As a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, including:

- You can lose more funds than you deposit in your margin account
- The account custodian or clearing firm can force the sale of securities or other assets in your account
- The account custodian or clearing firm can sell your securities or other assets without contacting you
- You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call
- The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities
- The account custodian or clearing firm can increase its "house" maintenance margin requirements at any time and are not required to provide you advance written notice
- You are not entitled to an extension of time on a margin call

Primary Recommend One Type of Security

We do not recommend any specific security to clients. Instead, we recommend any product that may be suitable for each client relative to their specific circumstances and needs.

Item 9 – Disciplinary Information

We have no legal or disciplinary events that are material to your evaluation of our business or the integrity of our management. Therefore, this item is not applicable to our brochure.

Item 10 – Other Financial Industry Activities and Affiliations

We are not and do not have a related person that is:

- A broker/dealer, municipal securities dealer or government securities dealer or broker
- An investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)
- An investment adviser or financial planner
- A futures commission merchant, commodity pool operator or commodity trading advisor
- A banking or thrift institution
- Accountant or accounting firm
- A lawyer or law firm
- A pension consultant
- A real estate broker or dealer
- A sponsor or syndicator of limited partnerships

We are an independent registered investment registered advisor and only provide investment advisory services. We are not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure. However, while we do not sell products or services other than investment advice, our investment advisor representatives sell other products or provide services outside of their role as investment advisor representatives with us.

Securities Sales

Our investment advisor representatives are also registered representatives of Securities America, Inc. You can engage them in this separate capacity to render securities brokerage services under a commission arrangement. Our investment advisor representatives have a financial incentive to recommend that a financial plan be implemented using a certain product or service. This is a conflict of interest because they could receive commissions in their capacity as a registered representative and could also receive advisory fees in their capacity as an investment advisor representative.

You are under no obligation to use the services of our investment advisor representatives in this separate capacity or to use Securities America, Inc. and can select any broker/dealer you wish to implement securities transactions. If you select our investment advisor representatives to implement securities transactions in their separate capacity as registered representatives, they must use Securities America, Inc. Prior to effecting any transactions, you are required to enter into a new account agreement with Securities America, Inc. The commissions charged by Securities America, Inc. can be higher or lower than those charged by other broker/dealers. In addition, the registered representatives receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that you maintain the mutual fund investment.

Insurance Sales

We are a wholly owned subsidiary of Pinnacle Financial Advisors, LLC (“PFA”), an insurance agency licensed in the state of Ohio. PFA is owned by some of our investment advisor representatives. In addition, some of our investment advisor representatives are also independently licensed to sell insurance products through various insurance companies. When acting in this capacity, they receive fees or commissions for selling these products. You are under no obligation to direct insurance transactions to PFA or to insurance companies with which our investment advisor representatives are licensed. Suitable insurance and investment products are available from other companies.

Third-Party Money Managers

As described in **Item 5, Fees and Compensation**, we have formed relationships with independent, third-party money managers.

We may recommend clients work directly with third-party money managers. When we refer clients to a third-party money manager, we receive a portion of the fee charged by the third-party money manager. Therefore, we have a conflict of interest because we only recommend third party money managers that agree to compensate us by paying us a portion of the fees billed to your account managed by the third-party money manager.

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

Code of Ethics Summary

According to the *Investment Advisers Act of 1940*, an investment advisor is considered a fiduciary. As a fiduciary, it is an investment advisor’s responsibility to provide fair and full disclosure of all material facts. In addition, an investment advisor has a duty of utmost good faith to act solely in the best interest of each of its clients. We and our associated persons have a fiduciary duty to all clients. We have established a Code of Ethics that all associated persons must read. They must then execute an acknowledgment agreeing that they understand and agree to comply with our Code of Ethics. Our fiduciary duty to clients is considered the core underlying principle for our Code of Ethics and represents the expected basis for all associated persons’ dealings with clients. We have the responsibility to make sure that the interests of clients are placed ahead of our own or our associated persons’ investment interests. All associated persons will conduct business in an honest, ethical and fair manner. All associated persons will comply with all federal and state securities laws at all times. We provide full disclosure of all material facts and conflicts of interest to clients prior to services being conducted. All associated persons have a responsibility to avoid circumstances that might negatively affect or appear to affect their duty of complete loyalty to clients. This section is only intended to provide current clients and potential clients with a description of our Code of Ethics. If current clients or potential clients wish to review our Code of Ethics in its entirety, a copy can be requested from any of our associated persons and it is provided promptly.

Some of our representatives are also Certified Financial Planners™ (CFP®) and abide by the Code of Ethics and Responsibility Code of the Certified Financial Planner™ Board of Standards, Inc. The Code of Ethics and Responsibility Code requires CFP® designees to not only comply with all applicable laws and regulations but to also act in an ethical and professional responsible manner in all professional services and activities. The principles guiding CFP® designees are:

- Integrity
- Objectivity
- Competence (in providing services and maintaining knowledge and skills to do so)
- Fairness (to clients, principals, partners and employers and disclosing any conflicts of interest in providing services)

- Confidentiality (keeping all client information confidential without the specific client consent unless in response to legal process or in defense of charges of wrongdoing or civil dispute)
- Professionalism
- Diligence

You can obtain a copy of the Code of Ethics and Responsibility Code by requesting a copy from us.

Participation in Client Transactions and Personal Trading

We, our investment advisor representatives and employees can buy or sell securities or have an interest or position in a security for our personal accounts that is recommended to clients. We are and will continue to be in compliance with *The Insider Trading and Securities Fraud Enforcement Act of 1988*. It is our express policy that no one employed by us will purchase or sell any security prior to a transaction(s) being implemented for an advisory account, which is designed to prevent employees from benefiting from transactions placed on behalf of advisory accounts.

As these situations represent a conflict of interest, we have established the following restrictions in order to ensure its fiduciary responsibilities:

1. An officer or employee will not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her possession of material non-public information. No person associated with us will prefer his or her own interest to that of the advisory client.
2. We maintain a list of all securities holdings for our self and anyone associated with us with access to advisory recommendations. These holdings are reviewed on a regular basis by one of our officers.
3. All clients are fully informed when certain individuals will receive separate compensation when effecting transactions during the implementation process.
4. We require that all of officers or employees act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
5. Any individual not observing any of the above may be subject to termination or other sanctions.

Item 12 – Brokerage Practices

Securities America, Inc.

If you elect to implement our advice, you are free to select any broker you wish. If you elect to have our investment advisor representatives implement the advice in their capacity as registered representative or through one of the Securities America Advisors, Inc. (“SAA”) programs detailed in **Item 5, Fees and Compensation**, then our investment advisor representatives’ broker/dealer, Securities America, Inc. (“SAI”) is used.

Not all investment advisors require the use of a particular broker/dealer. Some investment advisors allow their clients to pick which broker/dealer the client uses. However, in order to provide efficient services and based on the arrangement with SAI, we require the use of SAI when opening an account through our programs. We are limited in the broker/dealer or custodians we are allowed to use due to our relationship with SAI. SAI limits and restricts the broker/dealer or custodial platforms for its registered representatives that are also independently licensed due to its duty to supervise the transactions implemented by these individuals.

Because our investment advisor representatives are registered representatives of SAI, they are required to use the services of SAI and SAI's approved clearing broker/dealers when acting in their capacity as registered representatives. SAI serves as the introducing broker/dealer. All accounts established through SAI are cleared and held through National Financial Services, LLC. SAI has a wide range of approved securities products for which it performs due diligence prior to selection. SAI's registered representatives are required to adhere to these products when implementing securities transactions through SAI. Commissions charged for these products can be higher or lower than commissions you could obtain if transactions were implemented through another broker/dealer. Because our investment advisor representatives are also registered representatives of SAI, SAI provides compliance and supervision support to our investment advisor representatives. In addition, SAI provides our investment advisor representatives, and therefore us, with back-office operational, technology and other administrative support.

Economic benefits are provided to us by SAI that are not provided if you select another broker/dealer or account custodian. These benefits include:

- Negotiated costs for transaction implementation
- A dedicated trade desk that services SAA/SAI participants exclusively
- A dedicated service group and an account services manager dedicated to our accounts
- Access to a real-time order matching system
- Electronic download of trades, balances and position information
- Access, for a fee, to an electronic interface with the account custodian's software
- Duplicate and batched client statements, confirmations and year-end reports

Please also see **Item 5, Fees and Compensation**, for additional information about advisory services and implementing recommendations.

Soft Dollar

Investment advisors can direct portfolio brokerage commissions to a particular broker/dealer in return for services and research used in making investment decisions in client accounts. The commissions used to acquire these services and research are known as "soft dollars." Section 28(e) of the *Securities Exchange Act of 1934* provides a "safe harbor" that allows an investment advisor to pay more than the lowest available commission for brokerage and research services if it determines in good faith that the commission paid was reasonable in relation to the brokerage and research services provided.

We receive products and services from SAI, SAA or other program sponsors and product issuers. These products and services can be used for both research and non-research purposes and allows us to supplement, at no cost, our own research and analysis activities. These products and services can include, but are not limited to:

- Reports, publications and data on matters such as the economy, industries, sectors and individual companies or issuers, statistical information, account and law interpretations, political analyses, legal developments affecting portfolio securities, technical market actions, credit analyses, risk management and analyses of corporate responsibility issues
- On-line news services and financial and market database services
- Information management systems integrating quotation and trading, performance management, accounting, recordkeeping and document retrieval and other administrative matters
- Meetings, seminars, workshops and conferences with representatives of issuers, program sponsors and/or other analysts and specialists

Research obtained with soft dollars is not necessarily utilized for the specific account that generated the soft dollars. We do not attempt to allocate the relative costs or benefits of research among clients because we believe that, in the aggregate, the research we receive benefits all clients and assists us in fulfilling our overall duty to clients.

These arrangements create a conflict of interest to the extent that we would have to pay for some or all of the research and/or services with “hard dollars” if we were unable to obtain the research and services in exchange for commissions in connection with client transactions. Client trades are always implemented based on the goals and objectives of the client and not on any research, products or other incentives available.

Forgivable Retention Note and Stock Options

In connection with J. Scott Sims, Anthony J. Bruns, Anna C. Barton and Geoffrey G. Glazier engaging the services of SAI as our primary broker/dealer, SAI provided Retention Notes (the “Notes”) totaling \$148,772 to J. Scott Sims, Anthony J. Bruns, Anna C. Barton and Geoffrey G. Glazier in August 2011. The Notes were forgivable over four (4) years as long as J. Scott Sims, Anthony J. Bruns, Anna C. Barton and Geoffrey G. Glazier’s relationship with SAI continued and to the extent their production with SAI continued at a specified rate.

The Notes provided to J. Scott Sims, Anthony J. Bruns, Anna C. Barton and Geoffrey G. Glazier matured and were fully forgiven on September 16, 2015 by SAI based upon the fact that their production (i.e. the amount of commissions and investment advisory fees charged by Pinnacle Wealth Management while affiliated with SAI) during the term of the Notes continued with SAI at a specified rate.

The Notes were an incentive to J. Scott Sims, Anthony J. Bruns, Anna C. Barton and Geoffrey G. Glazier to continue to engage SAI for trade executions on behalf of Pinnacle Wealth Management’s advisory clients after the purchase of SAI by Ladenburg Thalmann (LTS).

In addition to the Notes, our investment adviser representatives received certain options to purchase LTS common stock at the fair market value as of the date of purchase of SAI by LTS. The options became fully exercisable November 4, 2015 and in June of 2018, Pinnacle Wealth Management’s investment advisor representatives exercised the LTS options in a cashless transaction.

The Notes and options to purchase stock in the parent company (LTS) to our IARs creates a conflict of interest in that our recommendation that clients utilize the services of SAI is partially based on our financial incentive rather than based exclusively on the client’s interests for seeking best execution. We developed procedures to control for this conflict of interest which included ensuring that investment advisory fees charged to clients were not and are not affected by the SAI/LTS transaction. Pinnacle Wealth Management considers numerous factors when making the decision to utilize the services of SAI versus other broker/dealers.

Although Pinnacle Wealth Management receives certain economic and non-economic benefits from SAI, we consider the totality of SAI services and benefits provided to client accounts when deciding to execute trades on the SAI platform. Pinnacle Wealth Management has systems in place to review IAR managed accounts for suitability and best execution practices over the course of the advisory relationship. Overall, our decision to use SAI is made because we believe that it is in the client’s best interest to do so based on the quality and pricing of execution, benefits of an integrated platform for brokerage and advisory accounts, and other services provided by SAI and its affiliates.

Handling of Trade Errors

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client is responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client is made whole and we absorb any loss resulting from the trade error if we caused the error. If the error is caused by the broker/dealer, the broker/dealer is responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain remains in the client's account unless the same error involved other client account(s) that should also receive the gains. It is not permissible for all clients to retain the gain. We may also confer with clients to determine if they should forego the gain (e.g., due to tax reasons). We never benefit or profit from trade errors.

Block Trades

Investment advisor firms may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading, or block trading and may be used when investment advisor firms believe such action may prove advantageous to clients. We do not block trades.

Item 13 – Review of Accounts

Account Reviews

Financial planning and limited consultation services terminate upon presentation of the plan or completion of the consultations and no reviews are conducted. However, we recommend that you have your financial situation reviewed and updated at least annually. If you elect this review and update, a new client agreement is required and additional fees are charged. Ongoing consultations and wealth management services can include reviews and updates of plans and recommendations, as requested by you.

Program providers review their model portfolios at a frequency described in the client contract and implement asset allocation shifts within each model portfolio as indicated by market and economic conditions. The program provider or we, as part of our investment management or supervisory services, or any independent sub-advisers engage in periodic account reviews to ascertain that the account is structured in accordance with your investment objective and strategy as derived from your relevant investment information. Program providers engage third parties to assist in the ongoing monitoring of separate account managers. To assist in these monitoring services, our investment advisor representatives periodically request and review updates to your investment information to ascertain that your options remain consistent with your stated investment objectives and strategy.

SAA reviews the performance information in Managed Opportunities Accounts to determine its accuracy. Performance information provided by SAA is believed to be accurate but cannot be guaranteed. Fund and other securities values and other information are obtained from third parties. Managed Opportunities accounts are reviewed as needed by SAA supervisors, SAI principals and our investment advisor representatives. Triggering factors for reviews include material market, economic or political events, change in your personal or financial situations or performance of the accounts in general.

Reviews for retirement and pension plan services are performed only as originally contracted for by you. Managed accounts are reviewed at least quarterly. Accounts at third party money managers are also reviewed at least quarterly.

The calendar is the main triggering factor, although reviews will also be conducted due to your request, due to a change in your circumstances or due to unusual market or political activity. Our investment advisor representatives review all accounts, no matter who is the assigned investment advisor

representative of record. Absent your specific instructions, we review accounts to verify portfolio holdings, appropriate asset allocation, possible re-balancing needs, anti-money laundering concerns, fee calculation accuracy, continued suitability and that performance continues to work toward your investment goals and objectives.

Account Reports

Financial planning clients do not receive any reports other than the written plan originally contracted for. You will receive a statement at least quarterly from the broker/dealer, investment advisor or money manager where your account is maintained.

For retirement plan services accounts, the service provider provides the plan sponsor with consolidated performance reports of the plan's model portfolios at least quarterly. Third parties provide fund values and other information. Neither SAA nor we guarantee the accuracy of the information provided by the service provider or other third parties.

For all other platforms and services, clients are provided with transaction confirmation notices and regular account statements directly from the broker/dealer or custodian for their accounts. In addition, we provide written performance reports on a quarterly and on-demand basis. Reports provided by our firm include relevant account and/or market-related information with an inventory of account holdings and account performance. You should carefully review the reports prepared by our firm against account statements received from your broker/dealer or custodian. If you have questions or believe there are discrepancies between the reports provided by our firm and your brokerage account statements, please contact us.

Item 14 – Client Referrals and Other Compensation

Client Referrals

We do not compensate anyone or any company for client referrals.

Please see **Item 5, Fees and Compensation, Item 10, Other Financial Industry Activities and Affiliations** and **Item 12, Brokerage Practices**, for additional discussion about solicitor/referral fees from third party managers, other compensation and non-economic benefits.

Item 15 – Custody

Custody, as it applies to investment advisors, has been defined as having access or control over client funds and/or securities, but does **not** include the ability to execute transactions in client accounts. Custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody for purposes of the *Investment Advisers Act of 1940* and must ensure proper procedures are implemented. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody. We are deemed to have custody of client funds and securities whenever we are given the authority to have fees deducted directly from client accounts.

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

Item 16 – Investment Discretion

In addition to having trading authority on your accounts, we implement trades in the majority of our advisory program accounts on a discretionary basis. This means we make all decisions to buy, sell or hold securities, cash or other investments in the managed account in our sole discretion without consulting with you before implementing any transactions. You must provide us with standing written authorization to exercise this discretionary authority.

When discretionary authority is granted, it is limited. We do not have access to your funds and/or securities with the exception of having advisory fees deducted from your account and paid to us by the account custodian. Any fee deduction is done pursuant to your prior written authorization provided to the account custodian. You have the ability to place reasonable restrictions on the types of investments that can be purchased in an account. You can place reasonable limitations on the discretionary power granted to us so long as the limitations are specifically set forth or included as an attachment to the client agreement.

When managing assets through Retirement Opportunities, we recommend model portfolios to the Plan sponsor to be included as investment options available to participants under the Plan. We maintain the model portfolios, including investing, rebalancing of assets, changing of asset allocations or changing underlying model portfolios. In addition, we recommend, maintain and periodically update the list of mutual funds to the Plan sponsor for including as investment options available to Plan participants. Using discretionary authority does not give us authority to withdraw funds and/or securities from Plan assets other than for advisory fees we are due.

If management services are provided on a non-discretionary basis, we always contact you before implementing any transactions in an account. You must accept or reject our investment recommendations, including (1) the security being recommended, (2) the number of shares or units and (3) whether to buy or sell. Once these factors are agreed upon, we are responsible for making decisions regarding the timing of the purchase or sale and the price at which it is bought or sold. You should know that if you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of implementing trades and we may not achieve the optimal trading price.

Item 17 – Voting Client Securities

We do not vote proxies on your behalf. You should read through the information provided with the proxy-voting document and make a determination based on the information provided. Upon your request, our investment advisor representatives are available to provide guidance or clarifications based on their understanding of issues presented in the proxy voting materials. However, you are solely responsible for all proxy voting decisions.

Item 18 – Financial Information

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